BPER:
Factor

Annual report
2020

The present document is the English translation of the Italian Financial Statements, prepared for and used in Italy, and have been translated only for the convenience of international readers. Financial Statements were prepared using International Reporting Standards (IAS/IFRS); therefore they are not intended to present the financial position and results of operations and cash flows according to accounting principles and practices other than IAS/IFRS.

EMILIA ROMAGNA FACTOR S.p.A.

Generally abbreviated to: EMIL-RO FACTOR S.p.A.

Head office: Strada Maggiore 29 – 40125 Bologna, Italy

Share capital Euro 54,590,910 fully paid-in Chamber of Commerce (REA) 366365

Companies Register and Tax Code 02231420361

VAT no. 04297210371 valid until 31 December 2018

The BPER VAT Group, which also includes EMIL-RO Factor S.p.A., is operational from 1 January 2019, with VAT number 03830780361

Financial intermediary enrolled in the Register of Financial Intermediaries as per art. 106 of Legislative Decree 385/1993 (CBA) at no. 9 with code 19432

Company belonging to the BPER Banca S.p.A. Banking Group

Enrolled in the Register of Banking Groups at no. 5387.6 on 7 August 1992

http://www.bper.it; e-mail: bper@pec.gruppobper.it

Tax Code and Companies Register no. 01153230360

Modena Chamber of Commerce no. 222528 Share capital Euro 2,100,435,182.40

Head office and branches

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Corporate Bodies

Board of Directors in office at 31 December 2020

Chairman	**Paolo Licciardello**
Deputy Chairman	**Pierpio Cerfogli**
Directors	Matteo Bigarelli
	Mirco Capra
	Tarcisio Fornaciari
	Antonio Rosignoli
	Antonio Ferretti
	Alessia Keissidis

Board of Statutory Auditors in office at 31 December 2020

Chairman	Pierpaolo Ferrari
Acting Auditors	Grazia Marchesini
	Andrea Montanari
Alternate Auditors	Antonella Bortolomasi
	Giacomo Giovanardi

General Manager	Franco Tomasi
Independent Auditors	Deloitte & Touche S.p.A

SHAREHOLDER STRUCTURE

On 21 December 2020, SACMI IMOLA S.C. assigned to BPER Banca S.p.A. its entire 3.103% interest in the share capital of the Company.

At 31 December 2020, following the transfer, the share capital of Euro 54,590,910.00= fully paid-in, represented by 5,459,091 ordinary shares with a nominal value of Euro 10.00 each, is held as follows:

- **BPER Banca S.p.A**: no. 5,407,602 ordinary shares, totalling Euro 54,076,020 equal to **99.057%** of share capital;

- **Conad Consorzio Nazionale Dettaglianti Società Cooperativa**: no. 51,489 ordinary shares, totalling Euro 514,890.00 equal to **0.943%** of share capital.

DIRECTORS' REPORT ON OPERATIONS

1. The macroeconomic environment

Global economic conditions during 2020 were almost exclusively characterised by the effects of the Covid-19 pandemic that, after crossing the Chinese borders and spreading rapidly around the globe, forced a multitude of countries to adopt strict restrictive measures during the first half of the year. By seeking to halt the wave of contagion, these measures paralysed individual economies almost entirely for several weeks, dragging the entire world into deep recession. In order to tackle the adverse effects of Covid-19, central banks and governments intervened repeatedly with extraordinary economic support measures, with massive injections of new liquidity into the system that helped, among other matters, to stabilise the financial markets. Following the historic crash experienced in March and April, the world economy showed encouraging signs of recovery in the subsequent months, albeit with the emergence of marked differences at a geographical level. For example, while the growth rate was essential stable through to year end in China and the United States, the recovery in Europe steadily lost steam. In fact, the second wave of contagion induced several European countries to apply new restrictions on movements and economic activity that - although less severe than those enforced in the spring - inevitable caused the European economy to slow. Based on the latest IMF projections, the world economy closed 2020 with a serious contraction, measured as a y/y decline in global GDP of 4.3%.

Among the developed countries, the United States demonstrated its ability to recover due, mainly, to the prompt reaction of the institutions to the crisis triggered by the pandemic. After suffering heavy recession in the first part of the year (by April, when the lockdown measures reached their peak, the US economy had lost more than 20 million jobs), the countermeasures were swift: the central bank and the government acted in a timely and coordinated manner, launching massive stimulus plans designed to avoid, as a first step, a serious chain of corporate defaults. In particular, after slashing rates by a full 150 bp (effectively zeroing the cost of money), the Fed took action to provide ample liquidity to the markets and support credit in all its forms by - among various measures - launching an asset purchasing programme (Quantitative Easing) of unlimited scale and duration that, for the first time, extended to corporate bonds. For its part, the US Congress approved a maxi-rescue package worth more than 2 trillion dollars - for the benefit of all parties, public and private, most hit by the pandemic - that was followed, in December, with a second aid plan totalling another 900 billion. Thanks to the efforts and the steady reopening of the economy, the US economic cycle returned to expansion from the summer months. The jobs market also embarked on a slow but steady normalisation path, with the unemployment rate - which had touched 14.8% in April - declining to 6.7% in December. Consumer confidence has picked up, partly due to the generous government subsidies, while the classic leading indicators - the Purchasing Managers Indices (PMI) - have shown a steady rise in economic activity since they moved back above 50 (expansion) in July. The macro indicators were only partially checked again in December, due to the restrictive measures adopted to tackle the second wave of Covid-19. Inflation declined considerably during the lockdown months, but has recovered gradually since then, with a 1.4% rise over the year to December. On the internal politics front, the presidential elections were held in November: despite fears, the outcome was made known relatively quickly and the absence of a determined legal battle by defeated President Trump removed the threat of prolonged political instability.

After a good start to 2020, the macroeconomic situation in the Eurozone deteriorated rapidly as the healthcare crisis became increasingly serious. After striking Italy, Covid-19 then spread to the rest of the Euro area, resulting in a block on productive activities that, compared with the United States, lasted for several more weeks. Just like the Fed on the other side of the pond, the European Central Bank - faced with q/q GDP contraction of 11.7% in the area during the second quarter - acted to strengthen the monetary policy measures adopted. In particular, the ECB accompanied the existing securities purchasing programme with a new plan, the "PEPP" (Pandemic Emergency Purchase Programme) worth 1,350 billion euro covering the period to June 2021 at least, that envisages the purchase of government and private sector bonds in a much more flexible manner than in the past. Further, Eurotower introduced new measures in favour of banks and decided to accept a number of public and private securities rated below investment grade as collateral for their refinancing operations; this measure provided more effective protection for the business-system in the Euro area and the block of more vulnerable countries on its periphery. Numerous steps were also taken on the fiscal policy front as well: temporarily exempted from their Stability Pact constraints, individual countries acted to support their economies, although the most important decision - to some extent historic - was made in July. In particular, following on from a proposal made a few weeks earlier by the European Commission, the EU Heads of State reach agreement on a new aid plan at community level that, via a mix of loans and grants, will provide preferential support for those EU countries worst hit by the pandemic. The Eurozone economy showed comforting signs of recovery during the third quarter, but retreated again during the last part of the year when the healthcare emergency took a turn for the worse, forcing many countries to apply new containment measures. This renewed weakness was also reflected in the Euro area inflation rate, which moved into negative territory and forced the ECB to intervene again by increasing the funds available for the "PEPP" plan and extending its duration. Looking more broadly at Europe, Brexit was officially formalised on 31 January 2020: the divorce between London and Brussels, operational from midnight on 31 December 2020, will be governed by an agreement reached by the parties *in extremis* that must now be ratified by the respective Parliaments.

The Italian economy essentially reflected the trends experienced in the Eurozone as a whole. After a marked contraction during the first half and a bounce in the summer months, economic activity returned almost to stagnation levels before deteriorating, once again, in the final part of the year with the rise in contagion and the new restrictive measures imposed by the government. At the same time, consistent with the rest of the Eurozone, the deflationary pressures were confirmed (Italian inflation rate of -0.3% y/y in December).

The economic shock deriving from Covid-19 did not spare the emerging countries either: historically more sensitive to changes in international trade and integrated within the global technological-productive value chains.

Starting from the last ten days of February, the Italian economy was overrun by the Covid-19 pandemic. The necessary social distancing measures and the shutdown of productive sectors caused a deep recessionary phase. The economy should however recover vigour during 2021, with significant benefits for 2022 as well, due to the steady distribution of vaccines and complete usage of the grants envisaged in the first phase of the European recovery plan.

In the budgeted scenario, real GDP is expected to grow by 6% in 2021 and 3.8% in 2022, representing a strong recovery from the 9.0% contraction estimated for 2020. The expected growth rate for 2023 is 2.5%.

The debt/GDP ratio is forecast to have risen to 158% at the end of 2020. This was due to the highly expansionary policies adopted in order to support incomes and employment, at a time when economic activity was badly hit by the pandemic. The ratio should start to decline from the coming year: the forecast for 2021 is 155.6%, followed by 153.4% in 2022 and 151.5% in 2023.

The actions envisaged in the Budget law seek to support the recovery of the economy with a further fiscal boost in 2021 that will tail-off in 2022, before looking for a significant improvement in the national accounts in 2023. As a consequence, the net borrowing targets are set at 7.0% in 2021, 4.7% in 2022 and 3% in 2023.

These objectives are, in turn, based on a reduction in the primary deficit from 7.0% of GDP in 2020 to 3.7% in 2021 and 1.6% in 2022, before achieving a slight surplus (0.1%) in 2023. All this is explained in the "2021 budget planning document” presented in November 2020 by Roberto Gualtieri, the Economy and Finance Minister.

Financial market conditions were also exceptional during 2020, with twelve months of considerable volatility that closed, however, with generally good performance overall. During the first quarter, with the initial spread of the pandemic outside of Asia and, as a consequence, significant downward revisions in the forecasts for world growth, the market prices for the businesses most at risk fell considerably, in a highly unstable environment that was made even more precarious by the collapse of the oil price. Subsequently, the financial markets re-found their propensity to accept risk due, above all, to the extraordinary action taken by the principal central banks, the fiscal stimulus provided by governments and the progressive re-opening of productive activities in all countries previously forced into long periods of lockdown. However, investor confidence deteriorated once again between September and October: on the health emergency front there was a rapid deterioration in the number of Covid-19 cases, with a sharp acceleration - especially in Europe - resulting in the adoption of new containment measures in several countries there. Lastly, there was another unexpected twist in November: the experimental vaccines against Covid-19 proved effective much earlier than expected, becoming available for mass inoculations. This news generated authentic euphoria in the market, so much so that the MSCI AC World index reported the best month in its history.

In performance terms, 2020 was positive overall for the principal stockmarkets. After the heavy losses accumulated during the most acute phase of the pandemic in February and March, most were able - thanks to government and central bank support - to recover all the losses and report more than respectable rises for the year. The performance of the European stockmarkets - more affected by "cycles" - was much more disappointing; nevertheless, they managed to recover most of their losses during the last quarter by switching between sectors. The European markets were also hampered by the strong appreciation of the Euro against all other major currencies during 2020. Things went very well for the bond markets too.

On the currency front, the Euro appreciated against all the other principal currencies. This strengthening was facilitated, not least by, the aid programme approved by European leaders to mitigate the effects of the pandemic that, by contrast with prior experience, signalled a desire to strengthen the foundations of the Union.

In an environment marked by low (or negative) rates due, in part, to the extremely accommodating monetary policy adopted by the ECB (made possible by the absence of obvious inflationary pressures), European banks struggle to achieve the profitability of past years. Tight interest margins, pressures on profitability brought by challenger banks and the technology giants and, lastly, stricter regulations are all elements that - combined with the violent economic recession generated by the spread of the virus - have contributed to the creation of a challenging and complex operating environment.

In December 2020, the average rate for customer funding (which includes the return on deposits, bonds and repurchase agreements in Euro applied to households and non-financial companies) was 0.50%. The most recent quarterly survey of bank lending, covering the final months of 2020, found that policy rates for new loans were stable for businesses but slightly tighter for households. The demand for business loans has remained very high, reflecting the massive requirement for liquidity linked to the pandemic. The demand for home mortgages has also risen, due to the reduction in the general level of interest rates. The credit quality of Italian banks is still improving. Doubtful loans, net of the writedowns and provisions already set aside directly by the banks, amounted to Euro 23.6 billion at the end of November 2020, down from Euro 29.3 billion one year earlier. The ratio of net doubtful loans/total lending has fallen to 1.35% (from 1.70% in November 2019). This is the lowest level since July 2010.

ABI reports that the Euro mortgage rate paid by families for home purchases - average of fixed and floating rates - was 1.27% in December 2020 (5.72% at the end of 2007, 1.47% in December 2019). With regard to new lending, more than 89% of mortgages are granted at fixed rates, in order to benefit from their historically low level. The average rate on new Euro loans to non-financial companies has risen slightly to 1.30% (1.27% in December 2019; 5.48% at the end of 2007). Lastly, the weighted-average interest rate on total lending to households and non-financial companies was 2.28% in December 2020 (2.48% in December 2019 and 6.16% at the end of 2007).

The spread for banks between the average lending rate and the average funding rate recognised to households and non-financial companies has remained low: 178 basis points in December 2020 compared with 190 basis points at the end of 2019. This spread exceeded 300 bp prior to the start of the financial crisis.

2. The factoring market in Italy

Following the spread of the Covid-19 pandemic, market conditions have changed radically and remain uncertain; in fact, the necessary measures taken to block the spread of the virus also seriously degraded the economic landscape. The regulatory scenario was, and still is, focused on the production of rules intended, in the main, to contain the effects of the spread of the pandemic. The global factoring market grew by 5.4% in 2019, with a cumulative annual turnover of Euro 2,917 billion, while the European market grew by 8% with a total volume of Euro 1,976 billion. In Italy, which generates about 9% of the world market and 13% of the European market, the total turnover of the factoring members of the Association exceeded Euro 255 million, up by almost 6.5% with respect to the prior year. This growth continued into early 2020, before the spread of the Covid-19 pandemic had a significant, adverse effect on the economy. The trend visible in January indicated turnover growth of 1.68% and even February reported an increase of 1.18%. Subsequently, from March, the market began to slow, with a reduction of 0.45%. This decline was steadily amplified during the remainder of 2020, which closed with a decrease of 10.83% (source: Assifact). Against this background, as has already happened in the past, at the time of marked changes in the economic and financial landscape, the factoring sector has been called upon to step up and support businesses and the real economy. The principal action (still in place) has been to grant payment deferrals to those borrowers that were suddenly unable to settle their trade payables as a consequence of the pandemic (Decree on moratoria). The regulatory position in this regard has also been reinforced by the independent application of "voluntary" moratoria.

Early published data indicates a total turnover of Euro 228 billion (-10.83% with respect to 2019: Source Assifact – data at 31 December 2020), with reductions in outstanding loans and in the advances and fees paid by customers by 6.08% and 7.69% respectively, due to the reduction in business volume.
The table summarises the main market data.

Key aggregates (source: Assifact)
(in millions of Euro)

Captions	dic-20	dic-19	Change	
			amount	%
Turnover	227,829	255,500	-27,671	-10.83%
Outstanding	62,234	66,262	-4,029	-6.08%
Receivables at year-end	50,340	54,534	-4,194	-7.69%

2.1 Outlook for 2021

With reference to 2021, the Assifact document entitled "ForeFact Survey - Outlook for factoring in the fourth quarter of 2020 and in 2021" estimates turnover growth in the range from -0.83% to +11.66%. This estimate projects the trend in the factoring/GDP ratio, which is influenced not only by the trend in the factoring market, but also by the actual dynamic of GDP at nominal values. The breadth of this forecast range is due, in particular, to the range of estimates for the performance of the Italian economy in 2021 considered by the analysis. This latter range reflects the numerous uncertainties that cloud clear understanding of the near future. The average value obtained by interpolating the estimates suggests, however, that a return to growth in possible in 2021 (+5.28%), after a strongly negative year in 2020. The Members expect positive performance in 2021; on average, they predict that turnover will rise by 2.08%, while the outstanding will increase by 1.4% and total lending by 1.84%.
The new regulatory framework for NPL (Non-performing loans) does, however, represent a threat to growth prospects in 2021. In fact, from 1 January 2021, the new European rules governing the prudential definition of "**default**" will come into force and must be adopted by financial intermediaries, as well as banks. Without doubt, the changes will introduce criteria and procedures that are more strict than those adopted to date by Italian financial intermediaries. As a result, a massive number of healthy businesses will find access to credit much more difficult, with an adverse impact on the trade receivables of businesses including, in particular, those assigned to factors.

3. BPER FACTOR in 2020

Starting from the last week in February, the healthcare emergency induced by the ongoing pandemic conditioned both market trends and commercial activities. The latter were penalised by the increasingly severe containment measures imposed, which led to the suspension of many productive activities in Italy and around the world.
In this context, the Parent Company decided to revise the consolidated budget for 2020.
The Board of Directors of the Company approved the revision to the 2020 Budget on 23 June 2020.
Despite the ongoing pandemic, the budget objectives of the Company were revised to expect a further 2.8% increase in turnover, compared with previous forecasts, and overall 6% growth compared with 2019.

3.1 Competitive positioning

The Company mainly operates in Italy, with 5 branches and 4 commercial locations.

In a scenario that, as described, has slowed the entire global economy, the Company managed to push ahead so much that, measured against total factoring turnover in Italy, a 21.63% rise in market share was achieved. Market share in terms of total factored receivables rose 5.7%, while that measured in terms of the outstanding was essentially unchanged (-1.2%) with respect to 2019 levels, confirming the healthy rotation of factored receivables.

Preliminary data for the situation at 31 December 2020 released by Assifact (Italian association of factoring companies) ranks BPER Factoring 11th by turnover among Italian factoring companies, with a market share of 2.03%; in terms of total factored receivables and the related outstanding balances, the market shares are 2.01% and 2.09% respectively.

Market shares (Source: Assifact)

(in millions of Euro)

Captions	Market		Change		Emil-Ro Factor		Change	
	2020	2019	Amount	%	2020 Market share	2019 Market share	Amount	%
Turnover	227,829	255,500	-27,671	-10.83%	2.03%	1.67%	0.36%	21.63%
Outstanding	62,234	66,262	-4,029	-6.08%	2.01%	2.03%	-0.02%	-1.21%
Receivables at year-end	50,340	54,534	-4,194	-7.69%	2.09%	1.98%	0.11%	5.67%
days of average rotation	98	93	5	5.38%				

3.2 Key figures of BPER Factor

The actions taken by BPER Factor consequent to the pandemic were coordinated and supervised by the Parent Company, which responded to the emergency with great alacrity. In particular, a series of initiatives were implemented to safeguard the health of Group personnel and customers alike, ensure business continuity and tackle the effects of COVID-19 at both social and economic levels.

3.2.1 Factoring

The turnover of BPER Factor grew by 8.46% in 2020, in direct contrast to the results reported by the Italian factoring market (source: Assifact), which recorded a 10.83% decline in production compared with 2019.

The largest flow of assigned receivables came from existing customers of high standing, thus attenuating the adverse effects deriving from the Covid-19 pandemic; these effects were mainly felt in the form of reduced flows from less organised customers, which were impacted more strongly by the pandemic. The number of active customers was essentially the same as in the prior year.

Receivables acquired without recourse represented 54.93% of the total turnover, up by 20.43%.

The trend in average lending was also satisfactory, being 17% ahead of 2019, while the outstanding and year-end lending were down by 7.21% and 2.46% respectively; both parameters were influenced by the exclusion from the receivables portfolio of a major operation, following the receipt of a large payment.

The ratio of factored receivables to outstanding is 78.1%. The receivables turnover rate (their average collection time) was also spared the adverse effects of Covid-19, which fell to 97 days from 114 in 2019. Here too, this reduction is explained by the mix of the customer portfolio.

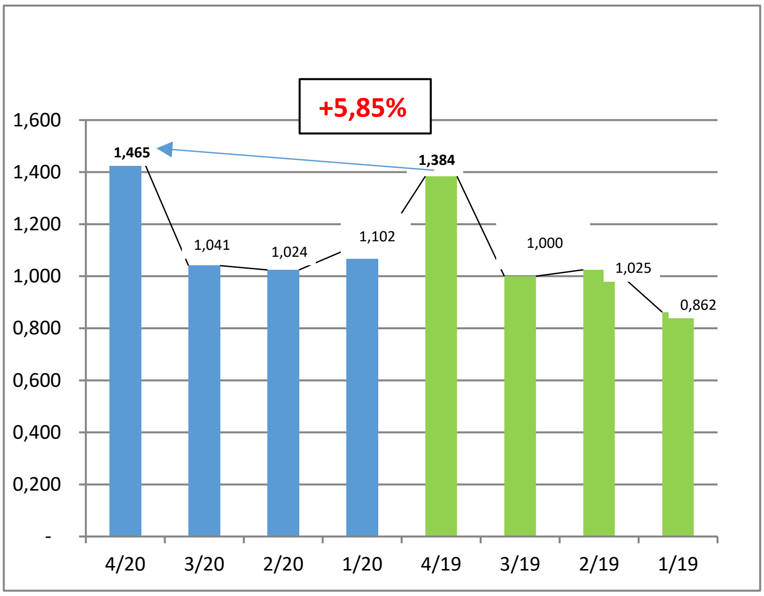
Volumetric data of BPER Factor
(in millions of Euro)

Captions	31.12.2020		31.12.2019		Change	
	Amounts	%	Amounts	%	Amount	%
Total turnover	**4,632**	**100%**	**4,271**	**100%**	**361**	**8.46%**
*of which: without recourse**	2,545	54.93%	2,113	49.47%	432	20.43%
of which: with recourse	2,088	45.07%	2,158	50.53%	-70	-3.26%
Outstanding	**1,251**		**1,348**		**-97**	**-7.21%**
Receivables at year-end	**1,054**		**1,081**		**-27**	**-2.46%**
- of which: future receivables	*77*		*53*		*24*	*45.79%*
Receivables at y/e (net of future amounts)/Outstanding	**78.10%**		**76.23%**		**1.9%**	**2.45%**
average days rotation of receivables	**97**		**114**		**-16**	**-14.45%**

* including formal without recourse

Receivables purchased without recourse, Euro 2.5 billion, increased by 20.43%, while those purchased with recourse decreased by 3.26%.
The outstanding reached Euro 1.3 billion and loans at year-end exceeded Euro one billion (1.1 billion).
"Medium/long term" transactions contributed with a turnover of Euro 12.1 million.

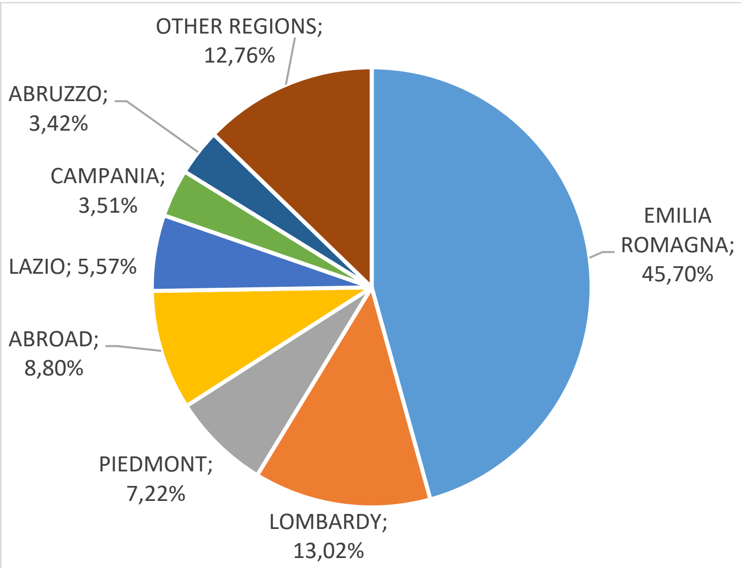
Quarterly trend in turnover (Euro million)



At 31 December 2020, purchased receivables reached Euro 4.5 billion, posting 8.46% growth. Compared with 2019, the analysis by quarter shows steadily rising volume throughout the period, with significant impulses in the first and last quarters, when the y/y rises were 27.8% and 5.85% respectively.

The geographical distribution of turnover in relation to the origin of the seller is provided below.

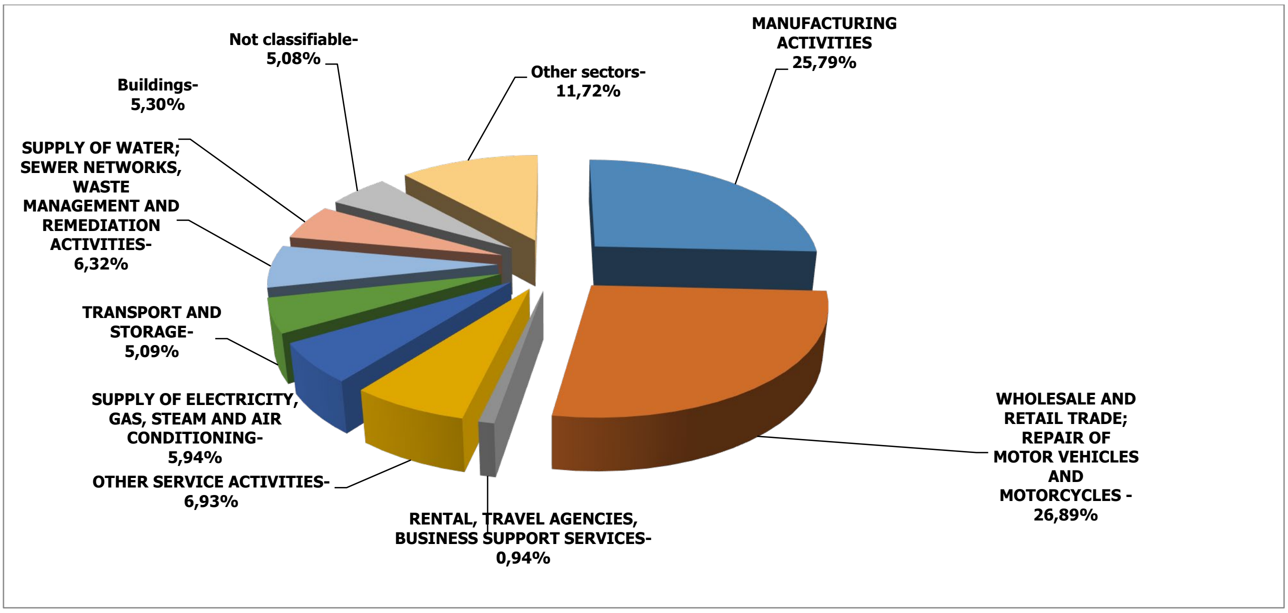
Geographical breakdown of turnover by Originator



About half the turnover (45.7%) was generated with originators resident in Emilia Romagna, where growth with respect to 2019 was 23.75% (36.9% in 2019). The distribution of turnover by region of the originator highlights those regions with the greatest penetration. Aside from **Emilia-Romagna**, **Lombardy** generated 13.02%, down by 25% (17.36% in 2019); Piedmont 7.22% (7.55% in 2019); Lazio 5.57% (6.82% in 2019); Campania 3.51% (5.21% in 2019); and Abruzzo 3.42% (4.31% in 2019). Business with foreign originators represents 8.8% of the total (7.44% in 2019).

Another view of turnover is given by its breakdown by economic activity of the orginator (Ateco code).

Distribution of turnover by ATECO code of originator



The effects generated by the containment measures adopted in response to the Covid-19 epidemiological emergency hit several sectors vary hard. As was predictable, the Company lost turnover from the sectors worst affected by the pandemic.
In particular, the largest drops with respect to 2019 were experienced with regard to the following sectors: "rentals, travel agencies, business support services" (-92.06%), "accommodation and catering services" (-51.74%), "supply of electricity, gas, steam and air conditioning" (-27.94%), "manufacturing activities" (-8.78%) and "healthcare and social services" (-4.13%). The Company offset the above contractions by the development of business in other sectors, for example: "wholesaling and retailing; car and motorcycle repairs", up by 137.5%; "information and communication services", up by 66.79%.

In terms of the concentration of 2020 turnover by economic sector of the originator, business mostly came from "wholesaling and retailing; car and motorcycle repairs" and "manufacturing activities" which, together, contributed 52.68% to total turnover with shares of 26.89% and 25.79% respectively.

Turnover by referrer
(in millions of Euro)

Captions	31.12.2020	31.12.2019	of total net receivables cons.	of total net receivables cons.	Changes	
			2020	2019	amount	%
Direct development	2,062	1,826	44.52%	42.74%	236	12.95%
Banking shareholders	1,493	1,344	32.22%	31.47%	149	11.05%
Referrals by intermediaries	575	572	12.40%	13.40%	2	0.39%
Large reverse debtor	376	375	8.13%	8.77%	2	0.46%
Industrial shareholders	111	143	2.39%	3.35%	-32	-22.60%
Agents	2	4	0.04%	0.10%	-2	-52.92%
Foreign operators and international correspondents	14	7	0.30%	0.17%	7	93.23%
Total	**4,632**	**4,271**	**100.00%**	**100.00%**	**361**	**8.46%**

(the 2019 figure has been adjusted to the source in force at 31 December 2020, and modified compared with 2019)

The business generated by customers from the BPER Group network (banking shareholders) was Euro 1.5 billion, a value which in comparison with 2019 increased by 11.05% and which represents 41.13% of the Company's overall increase, a sign of an evident improvement in synergies with the Group. The "direct development" of the Company, which represents 44.52% of total turnover, grew by 12.95% compared with 2019.

The turnover generated by customers referred by intermediaries and major reverse debtors was essential stable at 2019 levels, up by just 0.39% and 0.46%, while the production referred by industrial shareholders fell by 22.60% and introduced by agents was basically halved (-52.92%). The business deriving from foreign operators also improved, doubling the volume achieved in 2019 with turnover of Euro 14 million.
The number of originators in 2020 totalled 1,155, which was in line with 2019 (1,256).

3.2.2 Leasing

Consistent with the established approach and in line with the business and Group strategies adopted, leasing activities during 2020 focused once again on the management of performing finance lease contracts, the reformulation of payment plans following requests for moratoria pursuant to the related Covid-19 legislation, and the management of impaired loans.
No new finance lease contracts were signed during the year.
"Performing" contracts are summarised in the table below and are divided by asset macro-category.

Contracts outstanding - implicit receivables
(in thousands of Euro)

Type of contract	No. of contracts at 31/12/2020	Original value of assets	Direct costs	Total capital accrued	Residual capital
					Dec-20
Business leases	3	2,127	21	1,560	589
Real estate leases	7	2,938	32	1,583	1,387
Total	**10**	**5,065**	**53**	**3,142**	**1,976**

There are 10 performing contracts at 31 December 2020, as in 2019, and their residual receivable amounts to Euro 2 million.

Contracts suspended/terminated with assets withdrawn/to be withdrawn

(in thousands of Euro)

Type of contract	No. of contracts at 31/12/2020	Original value of assets	Direct costs	Total capital accrued	Residual capital Dec-20
Business leases	3	285	6	197	94
Real estate leases	6	8,180	74	1,739	6,515
Total	**9**	**8,465**	**80**	**1,936**	**6,609**

As a result of non-compliance by users, 9 contracts were terminated with a residual capital value at the time of termination of Euro 6.6 million.
Non-performing receivables (explicit + implicit), net of adjustments, amount to Euro 11.2 million.

3.3 2020 results

The emergency linked to the Covid-19 pandemic and the consequent significant change in the current and future macroeconomic situation had a major impact on the economic-financial dynamics of the Company. In particular, the assumptions underlying the 2020 budget were somewhat modified by the restrictive measures (lockdowns) implemented by the Italian government, the macroeconomic scenarios envisaged for the Italian economy and the governmental initiatives introduced in support of households and businesses. As instructed by the Parent Company, the Board of Directors of BPER Factor took account of these substantial changes by developing updated forecasts with respect to those made when preparing the 2020 Budget. This revision took account of the slowdown in revenue growth, as well as the change in loan adjustments attributable to the deterioration in the economic situation.

3.3.1 Results

Summary comparative income statement data is presented below (in thousands of Euro) for the years ended 31 December 2020 and 2019, highlighting the absolute and percentage changes.

Reclassified income statement

(in thousands of Euro)

Voci	2020	2019	Change	
	31- Dec	31- Dec	Amount	%
Net interest income	10,403	10,061	341	3.4%
Net commission income	6,999	7,678	-679	-8.8%
Net trading income	-14	3	-17	-577.1%
Other operating income (expense)**	1,026	383	643	168.0%
Operating income	**18,413**	**18,125**	**288**	**1.6%**
Payroll costs	-5,127	-4,997	-130	2.6%
Administrative costs	-3,583	-3,702	119	-3.2%
Depreciation and amortisation	-714	-909	195	-21.4%
Operating costs	**-9,424**	**-9,608**	**184**	**-1.9%**
Operating profit (loss)	**8,989**	**8,517**	**472**	**5.5%**
Net impaiment adjustments receivables	-924	-962	38	-3.9%
Net provisions for risks and charges	-1,187	-56	-1,131	100.0%
Profit (loss) from continuing operations after tax	**6,879**	**7,500**	**-621**	**-8.3%**
Income taxes from continuing operations	-2,148	-2,290	142	-6.2%
Net profit (loss) for the period	**4,731**	**5,209**	**-479**	**-9,2%**

Despite the difficult economic situation caused by the Covid-19 pandemic, the income statement of BPER Factor for the year ended 31 December 2020 reports an operating profit of Euro 8.9 million, up by 5.5% with respect to 2019.

Net profit was affected by the net impairment adjustments to receivables recorded in 2020 that, although in line with the prior year, reflect the adverse effect - in terms of additional adjustments - of the marked deterioration in the macroeconomic situation caused by the pandemic, as well as by the net provisions for risks and charges amounting to Euro 1.2 million.

Analysing the operational components of the income statement in more detail, net interest income amounted to Euro 10.4 million, up by 3.4%; net commission income totalled Euro 7 million, down by 8.8%, and other operating income (expense) rose to Euro 1 million (Euro 0.4 million in 2019).

Operating income increased by 1.6%, while operating costs fell by 1.9% overall.

Quarterly evolution of the reclassified income statement

(in thousands of Euro)

	Captions	2020				2019			
		4th Q	3rd Q	2nd Q	1st Q	4th Q	3rd Q	2nd Q	1st Q
30	Net interest income	2,818	2,401	2,473	2,711	2,530	2,541	2,422	2,568
60	Net commission income	1,440	1,824	1,796	1,938	1,880	2,112	1,970	1,716
80+100	Net trading income	-3	-1	-4	-6	4	-1	-1	1
200-170b)	Other operating income (expense	788	129	52	58	84	40	143	115
	Operating income	**5,042**	**4,353**	**4,317**	**4,701**	**4,497**	**4,692**	**4,536**	**4,400**
160a)	Payroll costs	-1,307	-1,226	-1,288	-1,306	-1,314	-1,208	-1,214	-1,261
160-170b)	Administrative costs	-1,088	-844	-818	-833	-1,040	-754	-1,068	-840
180+190	Depreciation and amortisation	-177	-171	-172	-194	-232	-233	-224	-219
	Operating costs	**-2,573**	**-2,240**	**-2,278**	**-2,333**	**-2,586**	**-2,195**	**-2,507**	**-2,320**
	Operating profit (loss)	**2,470**	**2,113**	**2,039**	**2,368**	**1,911**	**2,497**	**2,028**	**2,080**
130	Net impairment adjustments to	-1,286	686	-957	634	-762	-282	-480	562
170	Net provisions for risks and charges	-68	-1,243	281	-157	-56	0	0	0
260	**Profit (loss) from continuing operations before tax**	**1,115**	**1,556**	**1,363**	**2,845**	**1,094**	**2,215**	**1,549**	**2,642**
270	Income taxes from continuing operations	-320	-477	-412	-939	-178	-763	-396	-953
300	**Net profit (loss) for the year**	**796**	**1,079**	**951**	**1,906**	**916**	**1,452**	**1,153**	**1,689**

Operating income

Operating income amounted to Euro 18.4 million, up by 1.6% compared with 2019, as the progress made by net interest income and other operating income was only partially absorbed by the decline in net commission income.
An analysis of the main captions shows that net interest income stood at Euro 10.4 million, a rise of 3.4% compared with 2019.

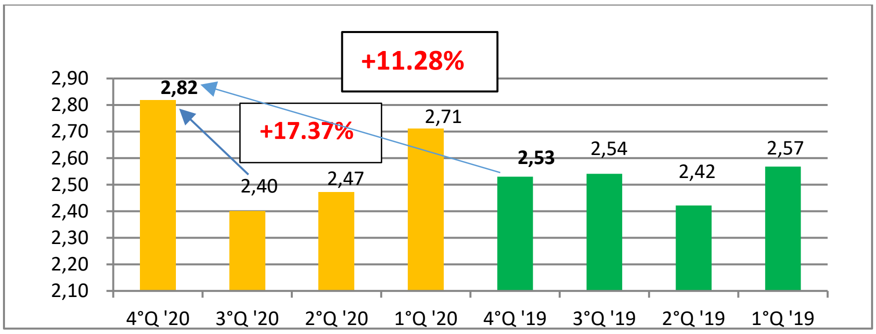
Net interest income
(in millions of Euro)

Captions	Dec-20	Dec-19	Change	
			Amount	%
Interest income for factoring transactions	8.8	9.3	-0.5	-5.07%
Other loans (borrowing costs)	1.5	1.2	0.3	23.83%
Interest income from lease transactions	0.1	0.1	-0.0	-20.88%
Future receivables	0.5	0.5	-0.0	-9.52%
Other interest income	0.1	0.2	-0.1	-50.49%
TOTAL INTEREST AND SIMILAR INCOME	**11.0**	**11.3**	**-0.3**	**-3.01%**
Interest expense for amounts due to banks	-0.6	-1.2	0.7	-54.82%
INTEREST AND SIMILAR EXPENSE	**-0.6**	**-1.2**	**0.7**	**-54.82%**
Net interest income	**10.4**	**10.1**	**0.3**	**3.40%**

In a market still characterised by negative interest rates, the good results are partly attributable to the drop in funding costs, which have virtually halved. The Parent Company, which provides the Company with almost all the funds needed for operations, reduced the funding interest rate from 1 January 2020 due to the persistence of negative market rates. This move, combined with the 17% increase in the average volume of lending, basically explains the rise in net interest income.
More specifically, interest income was 3% lower, at Euro 11 million, compared with the prior year. All the captions comprising interest income, except for "other loans and receivables" which include the charges deriving from the deferral of payments, report more or less significant declines due to the contraction of the spread. The growth in interest income with regard to the deferrals was mainly a reflection of the 24% rise in lending.

Quarterly trend in Net interest income (Euro/000)

The quarterly trend in net interest income during 2020 fluctuated somewhat due to the variability of lending and its composition. The final quarter result was 11.28% more than in the same period of 2019, and 17.37% higher than in the previous quarter.



Net commission income

(in millions of Euro)

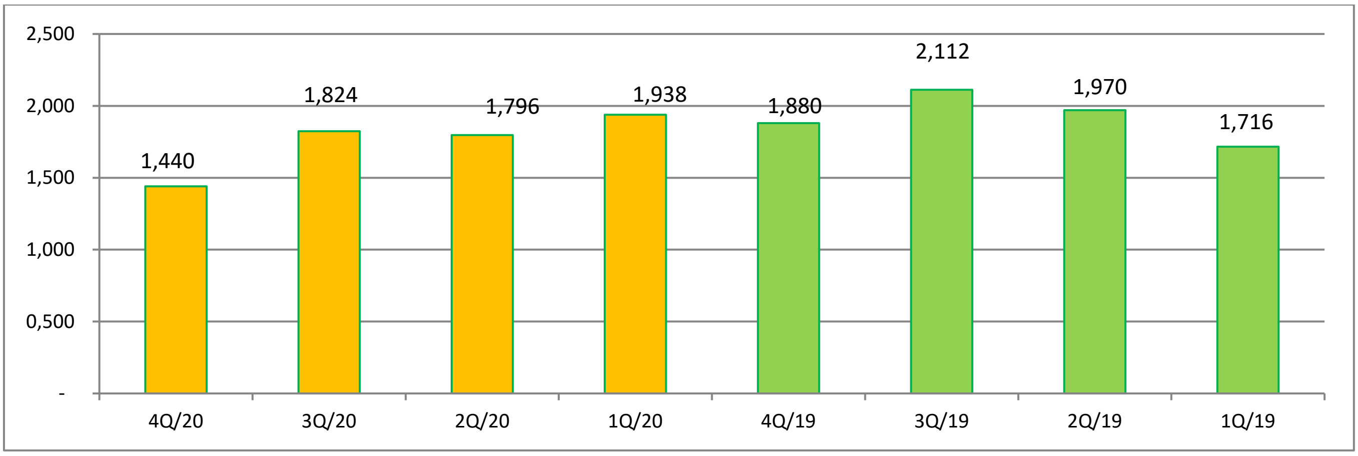
Captions	2020	2019	Change	
	31-Dec	31-Dec	Amount	%
Commission income	**10.6**	**11.2**	**-0.61**	**-5.4%**
- Factoring commission	9.7	10.4	-0.70	-6.7%
- Other commissions and expense recoveries	0.9	0.8	0.09	11.4%
Commission expense	**-3.6**	**-3.5**	**-0.07**	**2.0%**
- Refactoring commission	-1.9	-2.0	0.09	-4.4%
- Reinsurance commission	-1.4	-1.2	-0.18	14.7%
- Other commission expense	-0.3	-0.3	0.02	-8.5%
Net commission income	**7.0**	**7.7**	**-0.68**	**-8.9%**

Net commission income represented 38% of net operating income in 2020, amounting to Euro 7 million, which was 8.8% lower than in 2019.

Specifically, the level of commission income reflects a reduction in factoring activity by 6.7%, which was only partially offset by the 11.4% growth in commissions from services provided to customers. Thus reduction in commission income from factoring is partially explained by the measures adopted in response to the COVID-19 pandemic, especially the moratoria which further delayed the time taken to collect assigned receivables, allowing debtors to benefit from more or less long deferral periods without earning any additional commissions from the customer.

Commission expense, Euro 3.6 million, was 2% more than in 2019. This caption includes commissions recognised to the sales network (refactoring) of Euro 1.9 million, down 4.4%; the premiums paid to insurance companies for the re-insurance of receivables totalling Euro 1.4 million, up 14.7% due, in the main, to a rise in the without-recourse component of the receivables acquired; and the “other commission expense”, which principally reflects the cost of services provided by banks amounting to Euro 0.3 million, down 8.5%.

Quarterly trend in Net commission income (Euro/000)



As mentioned, the most significant impact of the COVID-19 pandemic on the operating income of the Company is found in the change in net commission income. Indeed, as shown in the chart of the quarterly trend in net commission income, only the first quarter of 2020 performed better than in the same period of 2019. Comparison of the first three months of the year identifies the greater commissions earned following the significant assignments recorded at the end of 2019, but which generated economic benefits in early 2020, despite the impact of the lockdown from March.

By contrast, starting from the second quarter, net commission income was lower than in the same period of 2019. The decline was particularly marked during the fourth quarter, due to the additional insurance costs recorded at year end on relation to 2 medium/long-term operations, whose accounting adjustment (amortised cost method) was recognised in the relevant interest income caption, while the insurance costs were recognised on a cash basis in the relevant commission expense caption.

Other operating income (expense)

(in millions of Euro)

Captions	Dec-20	Dec-19	Change	
			Amount	%
Other operating income	**1.1**	**0.4**	**0.6**	**141.31%**
Insurance claim proceeds relating to receivables	0.8	0.1	0.7	
Gains on disposal of fixed assets given under finance leases	0.0	0.2	-0.1	-91.04%
Other operating income	0.2	0.2	0.1	26.90%
Other operating expenses	**0.0**	**0.0**	**-0.0**	**-43.13%**
Loss on disposal of leased assets, net of penalties payable	0.0	0.0	-0.0	-97.22%
Other	0.0	0.0		0.00%
Other operating income (expense)	**1.0**	**0.4**	**0.6**	**164.72%**

Other net operating income, Euro 1 million, was Euro 0.6 million more than in 2019. The increase with respect to 2019 was essentially attributable to the greater indemnities received from insurance companies to cover non-payment by assigned debtors.

Operating costs

The healthcare emergency consequent to Covid-19 caused BPER Factor to incur additional, unexpected costs for the purchase of PPE and the licences and technical support needed for smart working by employees. These extra expenses were offset by costs savings on activities that were suspended or reduced as a result of the emergency, such as transfers and training courses.

Operating costs at 31 December 2020 amounted to Euro 9.4 million, a decrease of 1.9% on 2019. Specifically, "Payroll costs" rose 2.6% to Euro 5.1 million, principally due to the increased size of the Company, while "Other administrative costs" decreased by 3.2% to Euro 3.6 million as a result of the above pandemic-related savings; in addition, there was a 21.4% reduction in depreciation and amortisation charges, including those attributable to the right-of-use assets held under operating leases.

The cost/income ratio decreased to 51.2% in 2020, from 53% of 2019.

The main items making up operating costs are shown below.

Operating costs
(in millions of Euro)

Captions	2020	2019	Change	
	31-Dec	31-Dec	Amount	%
Administrative costs	**8.7**	**8.7**	**0.01**	**0.1%**
- Payroll costs	**5.1**	**5.0**	**0.13**	**2.6%**
of which: employees	3.93	3.89	0.04	1.1%
of which: Directors and Statutory Auditors	0.26	0.40	-0.14	-34.0%
of which: other personnel	0.02	0.02	-0.01	-24.5%
of which: other costs	0.10	0.22	-0.12	-56.2%
of which: seconded from other Group companies	0.91	0.47	0.45	95.8%
of which: seconded to other Group companies	-0.10	-0.00	-0.09	2736.2%
- Other administrative costs	**3.6**	**3.7**	**-0.12**	**-3.2%**
Payroll costs	0.19	0.23	-0.04	-16.9%
General costs	0.24	0.28	-0.03	-12.2%
Outsourcing costs	1.41	1.37	0.05	3.4%
Charges for regulatory compliance	0.09	0.09	-0.01	-7.1%
Taxes	0.10	0.11	-0.01	-6.6%
Image and communication	0.02	0.04	-0.02	-53.4%
ICT (charges relating to data transmission, IT consulting, communication costs, telephone expense, etc ...)	0.54	0.55	-0.01	-1.5%
Property management	0.18	0.16	0.03	16.0%
Credit management (information, litigation management, etc.)	0.74	0.79	-0.04	-5.3%
Consultancy and professional services - Others	0.05	0.04	0.01	16.3%
Other miscellaneous expenses	0.02	0.06	-0.04	-72.6%
Net impairment adjustments to property, plant and equipment and intangible assets	**0.7**	**0.9**	**-0.2**	**-21.4%**
Operating costs	**9.4**	**9.6**	**-0.19**	**-1.9%**

The overall 2.6% rise in payroll costs was due to the increase in employment which, at 31 December 2020, was 3 persons more than at the end of 2019. The 34% reduction in the cost of corporate bodies reflects the resolutions adopted at the Shareholders' Meeting held in April 2019, which appointed the new Board of Directors and established the related fees.
The “other administrative costs”, grouped into macro-categories with reference to the reasons for the expenditure, reflect more or less significant savings virtually across the board. Specifically, the 12.2% reduction in “general costs” reflects the lower costs incurred on office administration, such has printing, stationery etc.; the reduction in travel and related expenses explains the decrease in the “personnel” (-16.9%) and “miscellaneous expenses” (-72.6%) captions; “image and communication” costs were 53.4% lower (reductions in advertising and external relations), and “credit management” benefited from a 5.3% decrease due to lower spending on external legal support. By contrast, ”outsourcing costs” were higher (+3.4%), especially with regard to the activities carried out by the Parent Company, as were property management costs (+16%). This latter increase was due to moving the Milan branch which, in the short term, resulted in the old rental contract overlapping the new one. The benefits of the new contract are recognised in the depreciation charge, as required by IFRS 16.
Since 2019, the depreciation and amortisation charge (-21.4%) includes the portion attributable to operating leases, as required by IFRS 16.

Net adjustments to property, plant and equipment and intangible assets
(in millions of Euro)

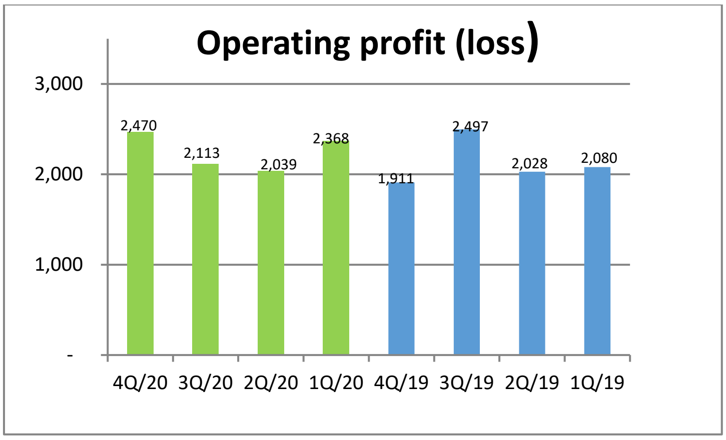
Caption	Type	Amortisation/ Depreciation 2020	2019	Change Amount	%
Leases	Real estate	0.37	0.49	-0.1	-23.8%
	Automotive	0.09	0.07	0.0	28.2%
	TOTAL	0.46	0.55	-0.1	-17.4%
Property, plant and equipment	Furniture and electronic office machines	0.02	0.03	-0.0	-20.7%
	Leasehold improvements	0.01	0.01	0.0	26.0%
	Other	0.00	0.00	0.0	3.2%
	TOTAL	0.04	0.04	-0.0	-8.3%
Intangible assets	Software	0.22	0.31	-0.1	-30.3%
	TOTAL	0.22	0.31	-0.1	-30.3%
Operating costs		**0.71**	**0.91**	**-0.2**	**-21.4%**

The depreciation and amortisation charges on operational leases were 17.4% lower than in 2019. This was essentially attributable to the real estate category, which decreased by 23.8% because of the lower cost of renting the Milan branch, as already mentioned, and to the 30% reduction in the amortisation of software, consistent with the trend in investment spending.
The cost/income ratio of 51.2% reflects an improvement from 53% in 2019.

Operating profit (loss)

Given the dynamics of revenues and costs, the operating profit for the year improved by 5.5% to Euro 9 million.

Quarterly trend in Operating profit (loss) (Euro/000)



The operating profit for the fourth quarter was higher than in both the previous quarter and in the same period of 2019 by 16.9% and 29.25% respectively.

Adjustments, writebacks and accruals to the provisions for risks and charges.

The net impairment adjustments to receivables were influenced by the adjustment of expected credit losses following the deterioration in the macroeconomic situation caused by the Covid-

19 healthcare emergency. This effect was partially offset by the improvement on introduction by the Parent Company of the new Large Corporate PD model for the calculation of impairment. As a result, the 2020 net impairment adjustments to receivables amounted to Euro 0.9 million, which was in line with the prior year.

Net adjustments/writebacks

(in millions of Euro)

Captions	2020	2019	Breakdown		Change	
	31-Dec	31-Dec	2020	2019	Amount	%
Adjustments:	**-3.2**	**-1.9**	**100.0%**	**100.0%**	**-1.2**	**65.5%**
Doubtful loans	-2.4	-0.7	75.0%	34.5%	-1.7	260.1%
Unlikely to pay exposures	-0.3	-0.5	8.1%	27.5%	0.3	-51.1%
Past-due loans (past-due >90 days)	-0.0	-0.1	1.5%	2.7%	0.0	-11.5%
Performing receivables	-0.5	-0.7	15.5%	35.3%	0.2	-27.6%
Writebacks:	**2.2**	**0.9**	**100.0%**	**100.0%**	**1.3**	**136.1%**
Doubtful loans	1.9	0.8	84.7%	87.7%	1.1	128.0%
Unlikely to pay exposures	0.3	0.0	13.0%	0.0%	0.3	
Past-due loans (past-due >90 days)	0.1	0.1	2.3%	10.7%	-0.0	-48.5%
Performing receivables	0.0	0.0	0.0%	1.6%	-0.0	
NET ADJUSTMENTS	**-0.9**	**-1.0**	**43.8%**	**94.5%**	**0.0**	**-3.9%**
Provisions for risks and charges	**-1.2**	**-0.1**	**56.2%**	**5.5%**	**-1.1**	
TOTAL NET ADJUSTMENTS	**-2.1**	**-1.0**	**100.0%**	**100.0%**	**-1.1**	**107.5%**

Specifically, doubtful exposures required net adjustments of Euro 2.4 million compared with Euro 0.7 million in 2019, reaching 74% coverage. Net adjustments on unlikely-to-pay exposures totalled Euro 0.3 million, down by 51%; their degree of coverage stood at 19%. Net adjustments on past due and overdrawn exposures decreased by 11.5% with a degree of coverage of 5.8%. Lastly, adjustments to performing receivables were 27.6% lower at Euro 0.5 million.

The significant increase in recoveries was principally due to the collection of an exposure previously classified as doubtful, which generated a writeback of Euro 1 million.
The cost of credit, being the ratio of net impairment losses to net receivables, is 9 basis points and in line with the prior year.

The "net provisions for risks and charges" caption reports a charge of Euro 1.2 million, compared with
Euro 0.1 million in the prior year. This increase was mainly due to the net provisions recorded for legal and other disputes.

Profit for the year from continuing operations before tax

Profit for the year before tax amounted to Euro 6.9 million and is 8.3% lower than in 2019.

Income taxes and net profit for the year

Income taxes for the year resulted in provisions of Euro 2.1 million, 6.2% lower than in 2019.

Income taxes, net profit and tax rate

(in millions of Euro)

Captions	2020	2019	Change	
	31-Dec	31-Dec	Amount	%
Profit from continuing operations before income taxes	**6.9**	**7.5**	**-0.6**	**-8.3%**
Income taxes for the year	**-2.1**	**-2.4**	**0.2**	**-9.9%**
Income taxes relating to prior years	**-0.0**	**0.1**	**-0.1**	
Net profit	**4.7**	**5.2**	**-0.5**	**-9.2%**
Tax rate net of out-of-period taxes	**-31.2%**	**-31.7%**	**0.6%**	**-1.8%**
Total tax rate	**-31.2%**	**-30.5%**	**-0.7%**	**2.3%**

The effective tax rate for 2020 is 31.2%, being the same as the actual tax rate given the absence of adjustments for taxes relating to prior years.

The net profit for the year of Euro 4.7 million is 9.2% lower than the previous year.

3.3.2 *Balance sheet items*

The more significant balance sheet captions and aggregates are analysed below (in thousands of Euro) on a comparative basis at 31 December 2020, identifying the absolute and percentage changes.

Reclassified balance sheet

Assets (amounts in millions of Euro)

Asset captions	2020 31-Dec	2019 31-Dec	Changes 2019/2018 Amount	 %
Financial assets measured at fair value through comprehensive income	1.68	1.66	0.01	0.82%
Receivables	1,055.72	1,081.68	-25.96	-2.40%
Property, plant and equipment and intangible assets	9.47	10.86	-1.39	-12.79%
of which : goodwill	5.47	5.47	0.00	0.00%
Tax assets	4.41	4.69	-0.28	-6.02%
Other asset captions	2.10	2.39	-0.29	-12.18%
TOTAL ASSETS	**1,073.38**	**1,101.29**	**-27.91**	**-2.53%**

Liabilities (amounts in millions of Euro)

Liabilities and shareholders' equity	2020 31-Dec	2019 31-Dec	Changes 2019/2018 Amount	 %
Financial liabilities valued at amortised cost	864.25	898.49	-34.23	-3.81%
Tax liabilities	0.04	0.05	-0.01	-21.57%
Other liability captions	57.27	56.81	0.46	0.81%
Provisions for risks and charges	14.12	12.99	1.13	8.69%
Shareholders' equity	**137.70**	**132.95**	**4.75**	**3.57%**
a) Share capital	54.59	54.59	0.00	0.00%
b) Share premium reserve	20.81	20.81	0.00	0.00%
c) Reserves	57.68	52.47	5.21	9.93%
d) Valuation reserves	-0.12	-0.14	0.02	-12.11%
e) Net profit for the year	4.73	5.21	-0.48	-9.18%
Total liabilities and shareholders' equity	**1,073.38**	**1,101.29**	**-27.91**	**-2.53%**

Total assets and liabilities amounted to Euro 1.1 million, a decrease of 2.53% compared with 2019.

Financial assets and liabilities measured at amortised cost

Amounts due from customers, net of impairment losses, total Euro 1.1 billion, down by Euro 26 million since 31 December 2019.

Net receivables
(in millions of Euro)

Captions	31/12/2020		31/12/2019		Change 2020-2019	
	Net receivables	%	Net receivables	%	Amount	%
Factoring receivables:	1,040	98.6%	1,074	99.3%	-33.4	-3.1%
- from originators	579	54.9%	546	50.5%	33.4	6.1%
- due to assigned debtors	461	43.7%	528	48.8%	-66.7	-12.6%
Finance lease receivables	6	0.6%	6	0.6%	-0.3	-4.5%
Other receivables	9	0.9%	2	0.2%	7.7	451.9%
Total receivables	1,055.72	100%	1,081.68	100%	-25.96	-2.4%

Among the various technical forms, the reduction principally relates to the 12.6% decline in amounts due from assigned debtors (essentially IAS-compliant without-recourse operations), as well as the decline in leasing receivables by Euro 0.3 million. By contrast, the exposure to originators (formal with- and without-recourse operations) has increased by 6.1% and other receivables have risen by Euro 7.7 million.
The net receivables reported in the balance sheet comprise loans to originators, 54.9%; receivables from assigned debtors (mostly re-insured), 43.7%; other loans and receivables, 0.9%; and leased assets, 0.6%.

In addition to the temporary balances on bank current accounts, other receivables include a significant guaranteed exposure with a net carrying amount of Euro 7.7 million, for which forbearance (performing forborne) measures have been granted.

With regard to payables, the financial liabilities measured at amortised cost total Euro 864 million following a 3.8% reduction since 31 December 2019. This caption also includes the operating lease payable of Euro 2.8 million.

The **funding** needed to finance the Company's operations is mainly provided by the Parent Company at market conditions.

Loans: credit quality

Gross receivables have decreased by 2.4% since 31 December 2019. The Company uses the service provided by the Risk Management offices of the Parent Company to calculate the impairment on performing receivables and carry out the staging (1 and 2).

Receivables
(in millions of Euro)

Captions	31-Dec-20 Amounts	%	Coverage	31-Dec-19 Amounts	%	Coverage	Changes Amount	%
Gross non-performing exposure	**24.44**	**2.28**	**65.67%**	**29.11**	**2.65**	**57.08%**	**-4.66**	**-16.02**
Doubtful	20.79	1.93	74.35%	23.61	2.15	67.61%	-2.83	-11.97
Unlikely to pay exposures	2.87	0.27	19.22%	4.60	0.42	12.98%	-1.73	-37.52
Past due	0.78	0.07	5.83%	0.90	0.08	5.83%	-0.11	-12.46
Gross performing exposures	**1049.94**	**97.72**	**0.25%**	**1070.63**	**97.35**	**0.20%**	**-20.69**	-1.93
Total gross exposure	**1074.38**	**100.00**	**1.74%**	**1099.73**	**100.00**	**1.70%**	**-25.35**	**-2.31**
Adjustments to non-performing exposures	**16.05**	**86.04**		**16.61**	**88.70**		**-0.56**	**-3.38**
Doubtful	15.45	82.83		15.97	85.23		-0.51	-3.20
Unlikely to pay exposures	0.55	2.96		0.60	3.19		-0.04	-7.46
Past due	0.05	0.25		0.05	0.28		-0.01	-12.47
Adjustments to performing exposures	**2.60**	**13.96**		**2.12**	**11.30**		**0.49**	23.06
Total adjustments	**18.66**	**100.00**		**18.73**	**100.00**		**-0.07**	**-0.39**
Net non-performing exposures	**8.39**	**0.79**		**12.49**	**1.16**		**-4.10**	**-32.84**
Doubtful	5.33	0.50		7.65	0.71		-2.32	-30.29
Unlikely to pay exposures	2.32	0.22		4.00	0.37		-1.68	-42.00
Past due	0.74	0.07		0.84	0.08		-0.11	-12.46
Net performing exposures	**1047.33**	**99.21**		**1068.51**	**98.84**		**-21.18**	-1.98
Total net exposure	**1055.72**	**100.00**		**1081.00**	**100.00**		**-25.28**	**-2.34**

Amounts due from customers, net of impairment losses, total Euro 1.1 billion and have decreased by Euro 25 million since the end of 2019. At the end of 2020, the adjustments for non-performing exposures total Euro 16.1 million, following a reduction of 3.38% since the end of 2019, and provide 65.67% coverage (57.08% in 2019). The adjustments for performing exposures total Euro 2.6 million, after a 23.06% rise since the end of 2019 (Euro 2.1 million), and provide coverage of 0.25% following a 25% increase (0.20% in 2019).

The overall coverage ratio for receivables is 1.74%, compared with 1.70% at the end of the prior year. Specifically, net doubtful exposures have decreased by 30.3% to Euro 5.3 million, net unlikely-to-pay exposures have fallen by 42% to Euro 2.3 million, and net past due amounts have declined by 12.46% to Euro 0.7 million.
The table below provides a further breakdown of customers by stages as established by IFRS 9.

(in millions of Euro)

	31-Dec-20				31-Dec-19				CHANGES Amount				CHANGES %			
Staging	**1**	**2**	**3**	**Total**	**1**	**2**	**3**	**Total**	**1**	**2**	**3**	**Total**	**1**	**2**	**3**	**Total**
Gross exposure	982.68	67.25	24.44	1,074.38	1,046.17	24.46	29.11	1,099.73	-63.48	42.80	-4.66	-25.35	-6.46%	63.64%	-19.08%	-2.31%
Adjustments	2.04	0.56	16.05	18.66	1.79	0.33	16.61	18.73	0.25	0.23	-0.56	-0.07	12.47%	41.56%	-3.50%	-0.39%
Net exposure	980.64	66.69	8.39	1,055.72	1,044.38	24.13	12.49	1,081.00	-63.74	42.56	-4.10	-25.28	-6.50%	63.82%	-48.89%	-2.34%
Coverage ratio	**0.21%**	**0.84%**	**65.67%**	**1.74%**	**0.17%**	**1.35%**	**57.08%**	**1.70%**	**0.04%**	**-0.51%**	**8.59%**	**0.03%**	**17.78%**	**-60.71%**	**13.09%**	**1.96%**
Composition of net amounts	**92.89%**	**6.32%**	**0.79%**	**100.00%**	**96.61%**	**2.23%**	**1.16%**	**100.00%**								

Net performing receivables classified in stage 2 represent 6.32% of total net receivables from customers. It should be noted that most of the exposures classified in stage 2 derive from automatic classifications triggers (mainly being past due by more than 30 days). The positions classified in stage 2 have been adjusted for 0.84% (1.35% in 2019). Gross receivables classified in stage 1 amounted to Euro 1 billion and, compared with the figure of December 2019, have been overall adjusted by 6.46%; they were adjusted by a total of 0.21% (0.17% in 2019) and represent 92.89% of total net receivables.

The increase in the coverage ratio of performing receivables (stages 1 and 2) is, as mentioned elsewhere in this Report on operations, influenced by the recognition of adjustments for expected credit losses due to the deterioration of the macroeconomic situation caused by the Covid-19 healthcare emergency.

Forborne (in millions of Euro)

	Captions	31.12.2020			31.12.2019	Change	
		Factoring receivables	Other receivables	Total	Total	Amount	%
Total *Non Performing* receivables	Gross amounts	0,33	-	0,33	0,55	(0,21)	-0,39
	Impairment losses	0,33	-	0,33	0,37	(0,04)	-0,10
	Net amounts	-	-	-	0,18	(0,18)	-1,00
	Coverage	100,00%		100,00%	67,79%	32,21%	47,51%
Total doubtful receivables	Gross amounts	0,33	0,10	0,43	0,50	(0,07)	-0,13
	Impairment losses	0,33	0,10	0,43	0,37	0,06	0,17
	Net amounts	-	0,00	0,00	0,13	(0,13)	-0,99
	Coverage	100,00%	98,09%	99,56%	73,42%	26,14%	35,60%
Total unlikely to pay loans	Gross amounts	-	-	-	0,05	(0,05)	-1,00
	Impairment losses	-	-	-	0,00	(0,00)	-1,00
	Net amounts	-	-	-	0,04	(0,04)	-1,00
	Coverage				5,83%	-5,83%	-100%
Total performing receivables	Gross amounts	-	7,73	7,73	0,05	7,69	169,10
	Impairment losses	-	0,03	0,03	0,00	0,02	9,01
	Net amounts	-	7,70	7,70	0,04	7,66	179,01
	Coverage		0,34%	0,34%	5,83%	-5,49%	100%

As defined by the European Banking Authority, the forborne category reflects the concessions granted to customers that have difficulty in meeting their commitments. Since 31 December 2019, an additional position has been included among the forborne exposures, raising the number to 4; 3 cases involving non-performing forborne exposures, while 1 is a performing forborne exposure.

3.3.3 *Financial assets and equity investments*

Financial assets measured at fair value through comprehensive income amount to Euro 1.7 million and consist of debt securities and equity instruments. This caption has not changed its composition compared with 31 December 2019 and includes the investments in Emil-Ro Service and BPER Credit Management S.c.p.a., a BPER Group company set up specifically to handle the Group's non-performing loans.

3.3.4 *Goodwill and shareholders' equity*

In accordance with the provisions of IAS 36, goodwill does not give rise to amortisation, but is annually tested for impairment, on the basis of which we assess whether the value of the asset is justified by the cash flows generated by operations. At 31 December 2020, the Company carried out an impairment test which showed that the goodwill was not impaired.
Shareholders' equity including profit under formation at 31 December 2020 amounts to Euro 138 million and shows an increase of Euro 4.7 million compared with 31 December 2019, mainly due to the previous year's profit which was fully capitalised.

4. Relationship with customers

4.1 Covid-19 Emergency

Right from the start of the healthcare emergency that swept Italy, BPER Factor sought to ensure, at all times, the continuity of its processes and services. From the beginning, the Company worked with the Parent Company to tackle the situation with immediate responses, taking action to contain the risks, safeguard the health of employees and customers and guarantee the continuous operation of critical processes. Initial steps addressed the geographical area labelled the "red zone", with the suspension of work and the enforcement of quarantine for workers in and residents of that area, in accordance with the governmental and regional instructions issued. As the emergency continued, efforts focused on other areas as well, especially HR management and business continuity. Subsequently, guidelines were established for the gradual return of employees, in compliance with the safety regulations.

In this situation, the Italian Government issued a series of measures in support of businesses that took the form of moratoria. BPER Factor, in turn, extended this assistance to those customers who did not satisfy the legal requirements, but nevertheless asked for help (voluntary moratoria).

The moratoria are summarised in the following schedule:

(figures in €/000)

Moratorium type	Requesting counterparty	Number of requests		Amount of requests		Amount 31/12/2020 *	
		Received	Accepted	Received	Accepted	Stage 2	Stage 3
Legally required	Originator	9	9	2,332	2,332	1,382	245
	Assigned debtor	-	-	-	-	-	-
	Lease user	5	5	122	122	-	-
	Total	14	14	2,454	2,454	1,382	245
Voluntary	Seller	86	84	132,341	131,855	259	1,394
	Assigned debtor	15	15	28,273	28,273	-	-
	Lease user	-	-	-	-	-	-
	Total	101	99	160,615	160,128	259	1,394
Total		115	113	163,068	162,582	1,641	1,638

* the amount at 31/12/2020 indicates the exposures to counterparts requesting a moratorium that were transferred to stage 2 and 3.

With regard to those moratoria that have expired, nearly none of the exposures were subject to risk factors. The above initiatives resulted in an increase in lending that benefited net interest income, but had an adverse impact on the average turnover of receivables and reduced, to some extent, the contribution made by commission income. The Company also had to revise its processes for the recognition and management of moratoria.

The principal effects on operations and the principal actions taken that had an impact on operating costs are described below:

- prevention of risks in the workplace, with adoption of the required personal and collective protection measures in order to respond appropriately to the changing healthcare instructions as the pandemic developed;

- application of flexible working, with investment in IT equipment, changes in operational processes and upgrades to the corporate network in order to allow simultaneous access by all users; almost immediately after the start of the emergency, all Company employees were provided with the equipment and opportunity to engage in smart working from home;

- action to facilitate digital interactions with customers, via completion of the electronic processes needed to eliminate hard copies from the assignment of receivables and the arrangement of contracts, with greater recourse to digital signatures;

- in this context, use of the WIP platform was fundamental since, via its digitalised processes, customers were able to continue working with the Company and the employees of BPER Factor were able to guarantee the continuity of customer services, without interruptions or delays. The development of this IT platform has continued and new functions have been made available to customers; among these, the most significant is the “upload by debtors” function, which enables “partner” debtors to assign receivables on behalf of the originators, having obtained due authorisation from them. This function lowers processing times, improves the quality of information management and accelerates the payment of originators; not least, assigned debtors benefit from significant savings on such routine activities as the management of notifications and identity confirmations.

- In order to improve territorial coverage within Italy, a branch has been opened in Naples and new commercial locations that report to the Naples branch have been established in Catania and Bari.

4.2 Complaints

In 2020 BPER Factor received 2 complaints from customers: for both of them, steps were taken to record the complaint and investigate them.

In the first case, the lawyer of one of our originators complained about the lack of response to requests for clarification about the payments made and to be made by BPER Factor, as well as other contractual matters not clearly specified. Checks determined that the originator had received an erroneous payment from an assigned debtor and had omitted to mention that fact, subordinating our request for return of the funds to the receipt of new payments to be made. As part of the management of this relationship, the amount concerned was returned. Against this background, the lawyer was information about the above situation and given the requested clarification, specifying that the advances to customers are always made at the discretion of the factor, after due assessment; the lawyer responded solely to ask for information about any further credit transfers to be made.

Another customer complained about failure to publish a statement of account on the WIP platform for the receivables assigned and outstanding (so-called weekly). Checks identified that the delay was generated by the relevant IT procedures. The problem was resolved by issuing the document and checking that the customer had received it.

With regard to the "pending" complaints, on 22.09.2020 the Bologna Court of Appeal issued a ruling, published in October, on the appeal filed by a customer that had already lost in the first-level court, regarding usury and compound interest matters. The Appeal Court confirmed the first-level ruling and, therefore, that the usury calculation applied had been recorded properly.

5. SIGNIFICANT EVENTS

5.1 New definition of default

For the purposes of implementing the New Definition of Default (NDoD), the BPER Group launched a specific project, which involved multiple structures of the Bank by area of competence, and Group companies including BPER Factor. Since October 2019 the BPER Group applies the

New Definition of Default for accounting and reporting purposes. The processes and operational activities for the calculation of Past Due amounts were aligned during 2020, applying the EBA Guidelines for the NDoD and subsequent Regulation (EU) 1845/2018.

Application of the NDoD has involved:
• the alignment of classifications within the Group;
• application of the new thresholds of significance for past due balances, without the possibility of offsetting lines of credit;
• application of the new rules for "classification contagion" to associated counterparts and members of groups of connected customers;
• application of the cure period rules at Group level;
• management of technical defaults.

The Parent Bank calculates the days past due with reference to the thresholds of significance on behalf of BPER Factor; the process involves a daily flow of information from the Company to the Parent Company and vice versa, containing on the one hand details for calculating the past due amount that the Parent Company processes at a consolidated level and, on the other, details of the completed calculation.
Specifically, the flows to BPER Factor from the Parent Company comprise:

- file containing all the customers "common" to the Group, indicated the "proposed" administrative status;
- file evidencing the days past due for all BPER Factor exposures;
- file containing all BPER Factor positions, with details of the legal entity that gave rise to the past due balance/exceeded the credit limit;
- file containing the positions for which the "cure period" calculation has commenced.

This exchange of information began on 1/10/2020.

The quantitative impact on the Company of applying the NDoD at 1/1/2021 is summarised in the following table in comparison with the situation at 31/12/2020:

(figures in €/000)

Description	No. counterparties	Gross amount
Balance at 31/12/2020	**10**	**784.75**
New starts NDoD - PD90	7	1,489.50
NDoD - Leavers in Performing	-2	-291.721
NDoD - Balance at 1/1/2021	**15**	**1,982.52**

The comparison in the table shows an increase in both the number of counterparts classifiable as PD90 and the amounts.
There are 2 positions affected by Group "contagion" totalling Euro 0.7 million.

5.2 Personnel

In order to tackle the healthcare emergency, the Company has adopted a series of solutions to safeguard the health of personnel and ensure safe working, via the activation of smart working to reduce substantially physical attendance in the workplace. Within a few days, all workstations were configured for smart working, so that employees had the IT resources needed to provide their services from home. Consistent with the rest of the Group, the Company also prepared an initial package of paid and unpaid leave that was available to all employees. Meetings were mostly held by video-conference. The hygiene arrangements were also strengthened at all offices. The activation of smart working has actually improved employee productivity and satisfaction, boosting their sense of responsibility.

On 26 February 2020, the Board of Directors of BPER Banca approved - essentially consistent with approach adopted for the entire BPER Banca network - the extension of the «MBO 2020» Incentive Scheme to all BPER Factor commercial personnel; previously, only executives of the Company benefited from this scheme.

AI is now front of mind, with a myriad of opportunities that are still largely unexplored; the Company is considering possible areas of application and a number of data management projects are being examined in the commercial area, although the focus encompasses all operational processes.

The following table summarises the trend in employment during 2020:

Category	31.12.2019	New starts	Leavers	31.12.2020
Employees	48	3	2	49
- of which:				
Executives	4		1	3
Area Supervisors and Middle Managers	44	3	1	46
Seconded personnel	7	2	1	8
- of which:				
General Manager	1			1
Other personnel	6	2	1	7
Total workforce	**55**	**5**	**3**	**57**

BPER Factor has 49 employees plus 2 secondees at Group structures.

As regards safety in the workplace, training activities continued in 2020, in accordance with Group guidelines and standards.

5.3 Other significant events and other information

1. Treasury shares or shares of the Parent Company: The Company does not hold any of its own shares nor shares of the Parent Company and did not buy or sell any of them during the year.

2. Transactions with the Parent Company and with other BPER Group companies, also for the purposes of art. 2497 bis of the Civil Code, consist of the following:
    - ✓ financing relationships regulated at market conditions;
    - ✓ service contracts in matters of prevention and protection, staff training and risk management activities and internal audit, personnel management, Anti-Money Laundering activities, compliance and credit control;
    - ✓ commercial agreements, aimed at promoting the BPER Factor's activity with the customers of BPER Group banks;
    - ✓ outsourcing of the anti-money laundering function;
    - ✓ outsourcing of the internal audit function;
    - ✓ outsourcing of the Compliance function.

3. The 2019 financial statements of BPER Factor were approved at the Shareholders' Meeting held on 9 April 2020 and the entire net profit of Euro 5,209,496= was allocated to reserves.

4. The Milan branch was transferred from via Gaetano Negri, 10 to via Fabio Filzi, 27 in May.

5. The Company continued with its disclosure and regulatory compliance process with reference to external regulations and BPER Group internal regulations, proceeding in the latter case, with the implementation of the guidelines issued by the Parent Company.

6. The usual reports of the Supervisory Body were prepared, as was the annual report of the Contact Person for the Compliance, Anti-Money Laundering and Claims Office.

7. In compliance with the transparency and disclosure requirements envisaged pursuant to Law 124 of 4 August 2017, article 1, paragraphs 125-129, it should be noted that the Company did not benefit from any public contribution during the year.

8. The outsourcing contracts with Exprivia S.p.A. expired on 31 December 2020. Renewal negotiations were carried out during the second half of the year and a new agreement was reached for the various components of the Factoring information system and the BPO administrative services. This new agreement covers the period from 1 January 2021 - 31 December 2023.

9. With reference to the framework agreement for outsourced services dated 27 May 2019, governing the provision of services between BPER Banca and BPER Factor, the Parent Company has taken responsibility for the tax affairs of the Company from 1 January 2021.

These activities were previously outsourced to EXPRIVIA S.p.A.. This change was necessary in order to optimise the various operational processes, given that the Company is a member of domestic tax group and joined the BPER VAT Group on 1 January 2019.

10. In this regard, BPER Banca elected to establish the domestic tax group pursuant to arts. 117-129 of the Consolidated Income Tax Law and the effects of Decree 344/2003, as amended. Under this optional regime, valid for three years, the member companies transfer - solely for tax purposes - their annual results to the consolidating company, which then calculated a single amount for the taxable income or tax loss of the group.
    When the tax declaration of the consolidating company was presented on 27 November 2020, the renewal option for BPER Factor was exercised for the three-year period 2020-2022, given that the previous election expired at the end of the 2019 tax year.

6. Outlook for 2021

6.1 Operations

- BPER Banca will complete the "Gemini" project in early 2021, resulting in integration of the former-UBI branches acquired from Banca Intesa. In addition to expanding the territorial presence of the Bank, this integration also broadens the customer portfolio with a greater concentration in the Lombardy and Marche regions. In this light, BPER Factor has planned to strengthen its commercial organisation, in order to help the Business Centres of the Parent Bank to sell factoring products. Coverage of the Marche region will be assured from early 2021 by opening a new commercial location in Ancona.

- Technological development is increasingly behind the innovations made in the financial services sector, and investment in innovation for the benefit of the business is central to the growth strategies of the BPER Group and BPER Factor. Starting in June 2020, the Company embarked on a structured path to devise a strategic roadmap focused on:
    1. the use of AI to support and develop the factoring market;
    2. improving the commercial approach made to customers of the Bank.

  Together with the Parent Company, BPER Factor is supported in this process by a leading consultancy specialised in Big Data and Artificial Intelligence. Specifically, this support consists in the preparation of a preliminary feasibility study that will identify the best ways to implement the project.

- Compared with the year just ended, the objectives for 2021 are to increase volume and improve profitability. The main objective of the Company in 2021 is to expand the business to a more prestigious level among other Italian factors, which should be achievable *inter alia* by releasing additional synergies with the Group.

6.2 Organization

- Once again, during 2021 the Company will focus on containing costs and improving the efficiency of operational activities, via the rationalisation and simplification of internal processes and the reduction of organisational complexities.

- Work is already in progress to improve productivity by eliminating paperwork, creating control and governance tools and activating AI systems.

- The application for the automated management of credit transfers to customers should enter into production in early 2021, enabling customers - on the one hand - to arrange advances (payments) more rapidly, while - on the other - improving efficiency with regard to inputting receivables and making payments.

- Activation of a system of monitoring and support will include the collection of problems raised by customers, with a view to improving constantly the organisation of the Company at the various points of customer contact and interaction. The identification of business drivers in each operational area will give priority to those with the greatest impact.

- AI techniques will be used for the automatic or semi-automatic investigation of data and content, using sophisticated tools to support the various business process, reduce risks and increase the volume and value of business.

7. Subsequent events

No significant event occurred after the balance sheet date.

8. Proposed allocation of the result for the year

Shareholders, before proceeding with the proposal for allocation of the net profit, in my capacity as Chairman of the Board of Directors I would like to take this opportunity to thank all of the members of Board and all the Statutory Auditors for their effective collaboration and valuable suggestions. I would also like to thank the General Manager, the Managers and all of the Company's employees and consultants for their professionalism and commitment to the business. A special thank you to the Parent Company for the attention and support that it has provided.

Lastly, many thanks to Assifact, our industry association, for the constant and professional support provided to its members, and to the independent audit firm Deloitte & Touche S.p.A. and its employees.

Shareholders, the draft financial statements for the year ended 31 December 2020 show a net profit of Euro 4,731,478 and the following allocation is proposed:

- Euro 236,573.90 = to the legal reserve;
- Euro 1,219,449.50= to the extraordinary reserve;
- Euro 3,275,454.60= to dividends, of 0.60 Euro per share.

Bologna, 09 March 2021

The Board of Directors
The Chairman
Paolo Licciardello

FINANCIAL STATEMENTS

BALANCE SHEET

ASSETS

	Asset captions	31.12.2020	31.12.2019
10.	Cash and cash equivalents	908	2,366
30.	Financial assets measured at fair value through comprehensive income	1,675,859	1,662,147
40.	Financial assets measured at amortised cost	1,055,723,645	1,081,682,219
	a) due from banks	*7,879,579*	*9,716,162*
	b) due from financial companies	*33,394,218*	*35,949,606*
	c) due from customers	*1,014,449,848*	*1,036,016,451*
80	Property, plant and equipment	3,623,089	4,992,053
90.	Intangible assets	5,846,600	5,866,954
	of which:		
	- goodwill	5,468,739	5,468,739
100.	Tax assets	4,409,331	4,691,662
	a) current	*103,896*	*462,574*
	b) deferred	*4,305,435*	*4,229,088*
120.	Other assets	2,099,085	2,388,971
	TOTAL ASSETS	**1,073,378,517**	**1,101,286,372**

LIABILITIES AND SHAREHOLDERS' EQUITY

	Liabilities and shareholders' equity	31.12.2020	31.12.2019
10.	Financial liabilities measured at amortised cost	864,253,757	898,486,609
	a) payables	*864,253,757*	*898,486,609*
60.	Tax liabilities	38,254	48,773
	b) deferred	*38,254*	*48,773*
80.	**Other liabilities**	56,313,673	55,814,232
90.	**Provision for termination indemnities**	952,412	993,866
100.	Provisions for risks and charges:	14,121,838	12,992,299
	a) commitments and guarantees given	7,614	55,549
	c) other provisions for risks and charges	*14,114,224*	*12,936,750*
110.	Share capital	54,590,910	54,590,910
140.	Share premium reserve	20,814,175	20,814,175
150.	Reserves	57,681,896	52,472,400
160.	Valuation reserves	(119,876)	(136,388)
170.	Net profit (loss) for the period	4,731,478	5,209,496
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**1,073,378,517**	**1,101,286,372**

INCOME STATEMENT

	Captions	31.12.2020	31.12.2019
10.	Interest and similar income	10,964,980	11,306,226
	of which: interest income calculated using the effective interest method	*10,964,980*	*11,306,226*
20.	Interest and similar expense	(562,455)	(1,245,098)
30.	**NET INTEREST INCOME**	**10,402,525**	**10,061,128**
40.	Commission income	10,586,598	11,194,749
50.	Commission expense	(3,588,062)	(3,516,906)
60.	NET COMMISSION INCOME	**6,998,536**	**7,677,843**
80.	Net trading income	(13,823)	2,897
120.	**NET INTEREST AND COMMISSION INCOME**	**17,387,238**	**17,741,868**
130.	Net impairment adjustments for credit risk:	(923,770)	(961,515)
	a) financial assets measured at amortised cost	*(923,817)*	*(961,530)*
	b) financial assets measured at fair value through comprehensive income	*47*	*15*
150.	**NET PROFIT FROM FINANCIAL ACTIVITIES**	**16,463,468**	**16,780,353**
160.	Administrative costs:	(8,709,748)	(8,699,203)
	a) payroll costs	*(5,126,939)*	*(4,997,179)*
	b) other administrative costs	*(3,582,809)*	*(3,702,024)*
170.	Net provisions for risks and charges	(1,186,801)	(55,549)
	a) commitments and guarantees given	47,935	(55,549)
	b) other net provisions	(1,234,736)	-
180.	Net adjustments to property, plant and equipment	(497,492)	(597,868)
190.	Net adjustments to intangible assets	(216,544)	(310,710)
200.	Other operating income and expense	1,026,589	382,686
210.	**OPERATING COSTS**	**(9,583,996)**	**(9,280,644)**
260.	**PROFIT (LOSS) FROM CONTINUING OPERATIONS BEFORE TAX**	**6,879,472**	**7,499,709**
270.	Income taxes from continuing operations	(2,147,994)	(2,290,213)
280.	**PROFIT (LOSS) FROM CONTINUING OPERATIONS AFTER TAX**	**4,731,478**	**5,209,496**
300.	**NET PROFIT (LOSS) FOR THE PERIOD**	**4,731,478**	**5,209,496**

STATEMENT OF COMPREHENSIVE INCOME

	Captions	31.12.2020	31.12.2019
10.	Net profit (loss)	**4,731,478**	**5,209,496**
	Other income components, net of income taxes, without release to the income statement:	***9,958***	***(18,458)***
20.	Equity securities designated at fair value through comprehensive income	3,428	2,953
70.	Defined benefit plans	6,530	(21,411)
	Other income components, net of income taxes, with release to the income statement:	***6,554***	***56,216***
140.	Financial assets (other than equity instruments) measured at fair value through comprehensive income	6,554	56,216
170.	**Total other component of income net of income taxes**	**16,512**	**37,758**
180.	**Total comprehensive income (Captions 10+170)**	**4,747,990**	**5,247,254**

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

at 31 December 2020

(AMOUNTS IN EURO/000)

	Balance as at 31.12.2019	Changes in opening balances	Balance as at 01.01.2020	Allocation of prior year results		Changes during the year						Comprehensive income 31.12.2020.	Shareholders' equity as at 31.12.2020
							Transactions on shareholders' equity						
				Reserves	Dividends and other allocations	Changes in reserves	Issue of new shares	Purchase of treasury shares	Extraordinary distribution of dividends	Changes in equity instruments	Other changes		
Share capital	54,590,910		54,590,910	-	-	-	-	-	-	-	-	-	**54,590,910**
Share premium	20,814,175		20,814,175	-	-	-	-	-	-	-	-	-	**20,814,175**
Reserves:	-		-	-	-	-	-	-	-	-	-	-	**0**
a) from profits	45,597,731		45,597,731	5,209,496		-		-	-	-	-	-	**50,807,227**
b) other	6,874,669		6,874,669		-	-	-	-	-	-	-	-	**6,874,669**
Valuation reserves	(136,388)		(136,388)	-	-	-	-	-	-	-	-	16,512	**(119,876)**
Equity instruments	-		-	-	-	-	-	-	-	-	-	-	**0**
Treasury shares	-		-	-	-	-	-	-	-	-	-	-	**0**
Net profit (loss)	5,209,496		5,209,496	(5,209,496)		-	-	-	-	-	-	4,731,478	**4,731,478**
Shareholders' equity	**132,950,593**	**-**	**132,950,593**	**0**	**0**	**0**	**-**	0	0	0	0	**4,747,990**	**137,698,583**

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

at 31 December 2019

	-Balance as at 31.12.2018	Changes in opening balances	-Balance as at 01.01.2019	Allocation of prior year results		Changes during the year						Comprehensive income 31.12.2019.	Shareholders' equity as at 31.12.2019
							Transactions on shareholders' equity						
				Reserves	Dividends and other allocations	Changes in reserves	Issue of new shares	Purchase of treasury shares	Extraordinary distribution of dividends	Changes in equity instruments	Other changes		
Share capital	54,590,910		54,590,910	-	-	-	-	-	-	-	-	-	**54,590,910**
Share	20,814,175		20,814,175	-	-	-	-	-	-	-	-	-	**20,814,175**
Reserves:	-		0	-	-	-	-	-	-	-	-	-	**0**
a) from profits	40,288,752		40,288,752	5,308,979		-		-	-	-	-	-	**45,597,731**
b) other	6,874,669		6,874,669		-	-	-	-	-	-	-	-	**6,874,669**
Valuation	(174,146)		(174,146)	-	-	-	-	-	-	-	-	37,758	**(136,388)**
Equity	-		-	-	-	-	-	-	-	-	-	-	**0**
Treasury	-		-	-	-	-	-	-	-	-	-	-	**0**
Net profit	5,308,979		5,308,979	(5,308,979)		-	-	-	-	-	-	5,209,496	**5,209,496**
Shareholders' equity	**127,703,339**	**-**	**127,703,339**	**0**	**0**	**0**	**-**	0	0	0	0	**5,247,254**	**132,950,593**

CASH FLOW STATEMENT - INDIRECT METHOD

A. OPERATING ACTIVITIES (in thousands of Euro)	31.12.2020 Amount (+/-)	31.12.2019 Amount (+/-)
1. Operations		
- net result (+/-)	4,731	5,209
- gains/losses on financial assets held for trading and other financial assets/liabilities designated at fair value through profit and loss (-/+)		
- gains (losses) on hedging activities (-/+)		
- net value adjustments for credit risk (+/-)	2,153	1,148
- impairment to property, plant and equipment and intangible assets (+/-)	714	909
- net provisions for risks and charges and other costs/income (+/-)	1,187	56
- taxes and tax credits not settled (+)		
- net impairment adjustments of discontinued operations net of tax (+/-)		
- other adjustments (+/-)	93	(50)
2. Cash flow from/(used in) financial assets	(+/-)	(+/-)
- financial assets held for trading		
- financial assets designated at fair value through profit and loss		
- other assets mandatorily measured at fair value		
- financial assets measured at fair value through comprehensive income	-4	-22
- financial assets measured at amortised cost	23,736	-222,471
- other assets	479	-1,585
3. Cash flow from/(used in) financial liabilities	(+/-)	(+/-)
- financial liabilities measured at amortised cost	(3,492)	4,744
- financial liabilities held for trading		
- financial liabilities designated at fair value through profit or loss		
- other liabilities	397	25,174
Net cash from (used in) operating activities	**29,994**	**(186,888)**
B. INVESTING ACTIVITIES		
1. Cash flow generated by	(+)	(+)
- sale of equity investments		
- dividends collected on equity investments		
- sale of property, plant and equipment		
- sale of intangible assets		
- sale of business units		
2. Cash flow used in	(-)	(-)
- purchase of equity investments		
- purchase of property, plant and equipment	(122)	(69)
- purchase of intangible assets	(196)	(221)
- purchase of lines of business		
Net cash generated by (used in) investing activities	**(318)**	**(290)**
C. FINANCING ACTIVITIES		
- issue/purchase of treasury shares		
- issue/purchase of equity instruments		
- dividends distributed and other allocations		
Net cash generated by (used in) financing activities	**0**	**0**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**29,676**	**(187,178)**

RECONCILIATION

	Amount 31.12.2020	*Amount* 31.12.2019
Cash and cash equivalents at beginning of the year	(877,875)	(690,697)
Net increase (decrease) in cash and cash equivalents	29,676	(187,178)
Cash and cash equivalents: effect of changes in exchange rates	-	-
Cash and cash equivalents at end of the year	(848,199)	(877,875)

Cash and cash equivalents include cash in hand as well as receivable and payable balances with banks on current and deposit accounts, the latter being shown in the balance sheet under caption 40) Financial assets measured at amortised cost and 10) Financial liabilities measured at amortised cost.

EXPLANATORY NOTES

1. INTRODUCTION

The Explanatory Notes are divided into the following parts:

1) part A - Accounting policies;

2) Part B – Information on the balance sheet;

3) Part C – Information on the income statement;

4) part D – Other information.

Each part of the notes is divided into sections, each of which illustrates an aspect of the business. The sections contain both qualitative and quantitative data.

In accordance with the provisions of art. 2423, paragraph 5 of the Civil Code and art. 5 Legislative Decree 38/2005, the financial statements and interim reports of limited liability companies must be drawn up in euros.
The transition of the figures from the books of account, expressed in euro cents, to the financial statements, expressed in euro, involves rounding up or down, with any rounding differences being posted to "other assets/liabilities" in the balance sheet and to "other operating income and expense" in the income statement, to "comprehensive Income" in the Statement of Comprehensive Income, to "equity" for the statement of changes in shareholders' equity and to caption "Total net cash generated/absorbed during the year" in the cash flow statement.

Part A - Accounting policies

A.1 General information

SECTION 1 – Declaration of compliance with International Financial Reporting Standards

The financial statements are drawn up according to Legislative Decree 38 of 28 February 2005 in compliance with the International Financial Reporting Standards (IFRS) and the International Accounting Standards (IAS) issued by the International Accounting Standards Board (IASB) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and Standing Interpretations Committee (SIC), endorsed by the European Commission, as established by Regulation 1606 of 19 July 2002.

Reference was also made, where necessary, to the "Framework for the preparation and presentation of financial statements" and to the documents prepared by the Italian Accounting Body (OIC), the Bank of Italy, the Italian Banking Association (ABI) and the Trade Association (Assifact).

In the absence of an accounting standard or interpretation specifically applicable to a particular transaction, the Company applies professional judgement, including that of the Administration and Financial Reporting Department of the Parent Company BPER, to develop accounting recognition rules that ensure that the financial reporting process is reliable, capable of ensuring that the financial statements give a true and fair view of the results and financial position of the Company and that its reflects the economic substance of a transaction as well as the aspects related thereto.

In drafting the accounting recognition rules, reference is made as much as possible to guidance provided by international accounting standards and related interpretations that deal with similar or comparable cases.

SECTION 2 – Basis of preparation

The financial statements at 31 December 2020 consist of the balance sheet, income statement, statement of comprehensive income, statement of changes in equity, cash flow statement and the explanatory notes and are accompanied by the directors' report on operations. The financial statements have been prepared in accordance with the instructions relating to the "Financial statements of IFRS intermediaries other than banking intermediaries" issued by the Bank of Italy on 9 December 2016 and updated on 30 November 2018, as permitted by art. 9 of Legislative Decree 38/2005, and the additional instructions given in specific communications not yet included in the overall document[1]. These instructions replace in full the Regulation 02/06 of 14 February 2006, as amended.

The balance sheet and income statement schedules are made up of captions, sub-captions and additional details. They do not include any captions with zero balances in both years. In the income statement, revenues are indicated without a sign, whereas costs are indicated in brackets. The balance sheet, income statement, statement of comprehensive income and statement of changes in shareholders' equity are presented in euros, whereas the cash flow statement and the notes are presented in thousands of euros, rounded up for fractions of more than Euro 500.

The general criteria underlying the preparation of the financial statements are presented below in accordance with IAS 1:

- **going concern:** assets, liabilities and off-balance sheet transactions are measured in the context of continuity over time; the directors and general management periodically check the going-concern assumption, paying particular attention to the current difficulties of the market. The balance sheet, access to sources of finance and the quality of outstanding receivables are such as to ensure the Company's ability to continue operating in the near future, so as things stand the Company does not present any uncertainties or concerns with respect to the going-concern assumption;
- **accrual basis of accounting:** costs and revenues are recognised in the period in accordance with the matching principle, regardless of when they are settled;
- **materiality and aggregation:** each material class of similar captions is presented separately in the financial statements; items that are dissimilar in terms of their nature or use are only aggregated if they are individually immaterial;
- **offsetting:** assets and liabilities, income and expenses are not offset unless required or permitted by a standard or an interpretation, or by the Bank of Italy's regulations for the preparation of financial statements of financial intermediaries;
- **comparative information:** comparative information is disclosed in respect of the previous period for all amounts reported in the financial statements, unless required otherwise by a standard or an interpretation.
- **consistency of presentation:** to ensure that information is comparable, the presentation and classification of items is maintained over time, unless specified otherwise in new accounting standards or their interpretations, or unless a change is required to improve the meaningfulness and reliability of the amounts reported. The nature of changes in account presentation or classification is described, together with the related reasons; where possible, the new criterion is applied on a retroactive basis;
- **frequency of disclosures:** information must be prepared annually or more frequently; if an entity changes its accounting reference date, the reason must be indicated together with the fact that the information provided is not comparable.

The description of the accounting policies adopted in relation to the principal financial statements aggregates is presented in sufficient detail to identify the principal assumptions and assessments made for the preparation of the financial statements. The notes and attachments provide additional information to help to provide a complete, true and fair view of the company's situation, even if such information is not expressly required by the regulations.

[1] In this regard, see the instructions given in the communication dated 27 January 2021, addressing the impact of Covid-19, measures to support the economy and amendments to the IAS/IFRS.

Uncertainty in the use of estimates

The preparation of financial statements requires recourse to estimates and assumptions that may significantly affect the amounts recorded in the balance sheet and the income statement, as well as the information about contingent assets and liabilities disclosed. The development of such estimates involves the use of available information and the adoption of subjective assessments, partly based on historical experience, in order to make reasonable assumptions for the recognition of operating events. By their nature, the estimates and assumptions used may change from period to period and, accordingly, it may be that the actual amounts recorded in subsequent periods are significantly different as a consequence of changes in the subjective assessments made.
The principal situations in which management is required to make subjective assessments include:

a. quantification of the losses arising from the impairment of loans and receivables and, in general, other financial assets;
b. quantification of the provisions for employee benefits and the provisions for risks and charges;
c. estimates and assumptions about the recoverability of deferred tax assets;
d. measurement of goodwill.

As regards items a, c and d, although precise forecasts cannot currently be made, a greater variability in estimates is likely in 2021 due to the effects of Coronavirus, as already mentioned in the report on operations.

Current income taxes are calculated based on an estimate of taxable income. Current tax receivables and payables are recognised at the amount that is expected to be recoverable from/payable to the tax authorities, by applying current fiscal regulations and current tax rates, or those substantially approved at the reporting date.

Deferred tax receivables and payables are recorded at the tax rates expected to be applicable in the year when the liability will be paid or the receivable recovered, in accordance with tax laws ruling or substantially ruling at the year end.

The description of the accounting policies adopted in relation to the principal financial statement aggregates is presented in sufficient detail to identify the principal subjective assumptions and assessments made for the preparation of the financial statements.

SECTION 3 – Subsequent events

No significant event occurred after the balance sheet date.

SECTION 4 - Other aspects

Risks, uncertainties and impact of the COVID-19 epidemic

For an analysis of the effects of the pandemic crisis on the risks and uncertainties faced by the Company, see Chapter 4 – "Relationship with customers – COVID-19 Emergency" in this Directors' report on operations.
Contractual changes arising from Covid-19

1) Contractual amendments and derecognition (IFRS9)

When contractual amendments are made to financial assets recorded in the financial statements, BPER Factor recognises those assets as forborne exposures if related financial difficulties have already been identified. As stated by the EBA in the "Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the Covid-19 crisis" dated 4 April 2020, moratoria granted to customers pursuant to the law, are not considered indicators of financial difficulty for the purpose of classifying the individual positions concerned as forborne exposures. The Company also grants voluntary moratoria to customers, upon specific request from them. Most of these defer the due dates for settling assigned receivables. Given that these voluntary moratoria are not granted for the specific purpose of assisting situation of financial difficulty, they are not classified as forborne exposures either.

2) Amendment to IFRS 16

The IFRS 16 amendment regarding contractual changes to operating leases consequent to the Covid-19 pandemic, has not had a significant effect on the Company given that no changes were made to leasing contracts in 2020 as a result of the spread of the pandemic.

Accounting estimates – Overlay approach applied to the assessment of credit risk

1) Assessment of the significant increase in credit risk (SICR)

Due to the unexpected situation caused by the Covid-19 pandemic, the following changes were made to the SICR model adopted by the BPER Group:

- adoption of the EBA instructions, released over time during 2020 on the treatment of moratoria (both required by law and voluntary), by including consistent requirements in the various internal processes and procedures;
- "expert" Stage 2 assessments of counterparties active in the economic sectors most hit, already carrying intrinsic risk evidenced by internal ratings higher than the average for the sector, that were considered likely to face financial difficulties under reasonable assumptions that took account of any Covid-19 moratoria granted; this action supplemented the automated processes already included in the SICR model.

More specifically with regard to adoption of the EBA guidelines on the Covid-19 moratoria, the Group issued internal circulars specifying how to analyse counterparties requesting moratoria or their renewal, which were updated promptly to take account of the revisions issued by the EBA in April, September and December 2020. As a result, the processes necessary to identify forbearance measures on a case-by-case basis were reactivated, following their specific suspension in relation to the moratoria required by law and implemented by the financial system between March and September 2020.

In relation to the expert Stage 2 assessments regarding the Corporate Segment, the sectors with greatest difficulties caused by the pandemic and its economic consequences were identified (e.g. operators in the tourism sector), considering factors indicative of significantly greater credit risk that were as objective as possible (e.g. expected reductions in turnover during 2020), as well as high internal ratings. In these cases, if normal procedures had not already identified the new risk level of the counterparties concerned, they were assigned to Stage 2.

Stage 2 assessments were also made for the beneficiaries of Covid-19 moratoria whose risk level was already high prior to the onset of the pandemic.

The "expert" assessments made, supplementing the automated processes of the IFRS 9 Staging Model adopted by the Group, were also supported by further refinements to the model that addressed, in particular, the expected loss on demand and short-term exposures, more effective identification of the initial rating and recalibration of the threshold for identifying PD changes.

Taken together, the above action resulted in expansion of the perimeter comprising Stage 2 positions.

2) Measurement of expected loss on performing receivables

When applying the ECL model adopted by the BPER Banca Group, a number of scenario simulations were carried out to identify macroeconomic forecasts that might best help to identify risk not already evidenced in the receivables portfolio, given the fact that the credit monitoring system is unable to pick up every potential sign of impaired credit quality, not least in view of the support measures agreed; this analysis took due account of the instructions and expectations of the Supervisory Authorities, in the knowledge that the effects the pandemic will contaminate credit quality for a long time to come.

More specifically, these simulations considered the macroeconomic scenarios prepared closest to the 2020 reporting date, including those released by the ECB/Bank of Italy in December 2020 (as a backstop with respect to the expectations of recovery) and the updates prepared at the time by the leading specialist forecasting company used by the Group. Both possible scenarios are based on rigorous and/or stressed forecasts that, nevertheless, indicate an improvement in the near future with respect to the expected losses recorded during 2020 under scenarios prepared at the height of the pandemic (published in June 2020). These earlier scenarios envisaged a deterioration in credit quality that, due to the support measures introduced by the government, does not appear to have emerged yet, to its fullest extent.

Considering it appropriate to stay ahead of a probable deterioration in credit quality, which could well emerge following expiry of the above support measures, when the least strong customers will start to show increasing signs of insolvency, the BPER Banca Group has decided to apply a top-down "correction" that essentially includes specific cover in the model for a likely reduction in credit quality; this adjustment was made with reference to the June 2020 macroeconomic scenario mentioned above, as applied to an updated database following the changes to the IFRS 9 staging criteria described earlier.

Domestic tax group election

The Company joins the Group Tax Consolidation. BPER Factor, together with other Group companies, has elected to establish a domestic tax group, which was introduced by Legislative Decree 344/2003 and is governed by arts. 117-129 of the Consolidated Income Tax Act. This consists of an optional arrangement, whereby the net income or tax loss of each subsidiary participating in the tax group – together with tax withheld at source, deductions and tax credits – are transferred to the parent, which then calculates the consolidated taxable income or tax loss carried forward (resulting from the sum of its own income/loss and the income/losses of the participating subsidiaries) and, consequently, a consolidated tax liability/receivable. Under this option, Group companies that are members of the domestic tax group calculate their own tax charge and the corresponding taxable income is transferred to the parent.

Joining the VAT group

The BPER VAT Group is operational from 1 January 2019. The VAT group is a new VAT payer – regulated by the EU legislation recently introduced into national law (Law 232 of 11 December 2016) – which just for VAT purposes replaces the individual participants, which maintain their separate legal status in every other statutory, fiscal and accounting profile. The VAT Group operates externally with a single VAT number, fulfils the obligations and exercises the rights deriving from application of the rules on Value Added Tax through the group representative (BPER Banca), who is responsible for performance of these obligations, as well as for payment of the sums due for tax, interest and penalties together with the other participants.

Audit

The financial statements are audited by Deloitte & Touche S.p.A. who were appointed for the period 2017-2025 by the Shareholders' Meeting on 6 April 2017.

Comparative information

As required by law, comparative information reported by the financial statements has to be that published in the Annual Financial Report for the year ended 31.12.2019.

Legislative updates

As required by IAS 8, the following table shows the new international accounting standards, or the amendments to standards already in force, with the related endorsement regulations, which became mandatory from 2020.

EC Approval Regulation	Title	In force from years beginning
2075/2019	Commission Regulation (EU) 2019/2075 of 29 November 2019 was published in the Official Journal L 316 of 6 December 2019, which adopts the amendments to the references to the IFRS Conceptual Framework. The amendments aim to update the existing references to the previous Conceptual Framework in different Accounting Standards and interpretations, replacing them with references to the revised Conceptual Framework.	1 January 2020
2104/2019	Commission Regulation (EU) 2019/2104 of 29 November 2019 was published in the Official Journal L 318 of 10 December 2019, adopting the amendments to IAS 1 and IAS 8. The amendments clarify the definition of "material" to make it easier for companies to make judgements about materiality and hence improve the relevance of the information given in the notes to the financial statements.	1 January 2020
34/2020	On 16 January 2020, the Italian Official Gazette published Commission Regulation (EU) 2020/34 on certain amendments to IAS 39, IFRS 9 and IFRS 7, establishing temporary and limited exceptions to the hedge accounting rules, so that companies can still comply with their requirements on the assumption that the reference indices for the determination of current interest rates are unaffected by the reform of interbank rates.	1 January 2020
551/2020	Commission Regulation (EU) 2020/551 of 21 April 2020, which amended Regulation (EC) 1126/2008, which, in turn, adopted certain International Accounting Standards in compliance with Regulation (EC) 1606/2002 of the European Parliament and Council as regards IFRS 3, was published in the Official Journal on 22 April 2020. The amendments clarify the definition of a business in order to facilitate practical implementation of the standard.	1 January 2020
1434/2020	Commission Regulation (EU) 2020/1434 of 9 October 2020, which amended Regulation (EC) 1126/2008, which, in turn, adopted certain International Accounting Standards in compliance with Regulation (EC) 1606/2002 of the European Parliament and Council as regards IFRS 16, was published in the Official Journal on 12 October 2020. The amendment to IFRS 16 provides for optional and temporary operational support connected to Covid-19 for lessees who benefit from a suspension of lease payments, without compromising the relevance and usefulness of the financial information communicated by companies.	1 June 2020

The new standards and amendments that entered into force from 1 January 2020 have not had a significant impact on the financial statements at 31 December 2020.

The following table shows the new international accounting standards or amendments to standards already in force, whose application is mandatory from 1 January 2021 or later date (if the financial statements do not coincide with the calendar year).

EC Approval Regulation	Title	In force from years beginning

2097/2020	Regulation (EU) 2020/2097 of 15 December 2020, which adopted the amendments to IFRS4, was published in the Official Journal on 16 December 2020. The amendments to IFRS 4 "Insurance contracts" aim to remedy the temporary accounting consequences of the mismatch between the date of entry into force of IFRS 9 "Financial Instruments" and the effective date of the future IFRS 17 ”Insurance contracts". In particular, the amendments to IFRS 4 extend the expiry date of the temporary exemption from the application of IFRS 9 until 2023, in order to align the application date of FRS 9 with that for the new IFRS 17.	1 January 2021

The directors do not foresee any impacts from the future application of this standard.

Other regulatory sources: documents of the Bank of Italy and other Supervisory Authorities already issued

Circ. n. 272 "Matrix of accounts" (13th update of 23 December 2020), adopts certain amendments to the definition of non-performing credit exposures. The innovations introduced take effect from 1 January 2021.

Circular no. 154 "Regulatory reporting of credit and financial institutions – schemes for recognising and forwarding information flows" (72nd update of 23 December 2020).

Circular no. 217 "Manual for the compilation of Regulatory Reporting for Financial Intermediaries, for Payment Institutions and for IMEL" (19th update of 23 December 2020). The innovations introduced take effect from 1 January 2021.

They adopt the new definition of default that IFRS intermediaries, other than banking intermediaries, must apply in the classification of the loan portfolios from 1 January 2021.
The scope of non-performing receivables (or those in default) defined in art. 178 of Reg. (EU) 575/2013 (CRR) has been updated with reference to the EBA Guidelines for applying the definition of default and the subsequent Reg. (EU) 1845/2018.
For "past due loans and/or impaired overdrawn exposures", the 5% threshold of relative significance that identified significant obligations in arrears has now been reduced to 1% (see § 4, ch. 3, part 2°, section III, Bank of Italy Circular 285/2013, updated on 22.09.2020).
In addition, application of the rule for managing the cure period now requires a minimum of 3 months before exposures can be regarded as performing again.

In addition, the new European rules have introduced an absolute threshold of significance of Euro 100.00 and Euro 500.00, respectively, for retail exposures and amounts due from other debtors (see art. 1, para. 2, and art. 2, para. 1, of Commission Delegated Regulation (EU) 171/2018).

Communication dated 27 January 2021 – Supplements to the instructions contained in the measure entitled "The financial statements of IFRS intermediaries other than banking intermediaries" on the impact of COVID-19 and the measures in support of the economy and on amendments to the IAS/IFRS. These additional instruction take account of the documents published by the European regulatory and supervisory bodies and by the standard setters, in order to clarify how to apply the IAS/IFRS in the current context (with particular reference to IFRS 9). The instructions apply to the financial statements for annual periods ending on or after 31 December 2020.

OTHER SOURCES OF RULES – INTERNAL RULES FOR ACCOUNTING RECOGNITION

As mentioned in the paragraph on "General criteria for measurement", in the absence of a standard or interpretation specifically applicable to a transaction, an internal accounting recognition rule has to be identified and formalized.

Internal interpretations are no longer active since 2015 and it was not necessary to establish any new rule in 2020.

A.2 Main captions in the financial statements

This section discusses the accounting principles applied in preparing the financial statements. The explanation is based on the criteria for recognition, classification, measurement and derecognition of the various captions in the financial statements.

1. **Financial assets measured at fair value through comprehensive income**

Recognition

Financial assets represented by debt or equity instruments are initially recognised on the settlement date, while loans are recognised on the pay-out date.
On initial recognition, financial assets are accounted for at fair value, which is usually the amount paid for them. In cases where the price is different from the fair value, the financial asset is recorded at its fair value and the difference between the price and the fair value is charged to the income statement. The value on initial recognition includes any income and expenses directly attributable to the transaction and quantifiable on the date it is accounted for, even if paid later.

Classification

This category includes:

• financial assets for which the defined Business Model is "Hold to Collect & Sell" (HTC&S) and their contractual terms pass the SPPI Test;

• investments in equity instruments, not held in the context of a trading business model, for which an irrevocable election was made on initial recognition to record subsequent changes in fair value in the statement of comprehensive income.

Measurement

Subsequent to initial recognition, financial assets are measured at fair value.
As an exception, if the fair value of equity instruments cannot be determined reliably, they are valued at cost. An impairment test is performed at each year end or interim reporting date to check if there is any objective evidence of a reduction in value.
If subsequently the reasons for impairment cease to apply, the amounts concerned are written back without causing the value of the asset to exceed the amortised cost that would have been reported in the absence of earlier adjustments.

Derecognition

Financial assets are derecognised from the balance sheet on expiry of the contractual rights over the related cash flows or when the financial asset is sold with the transfer of essentially all the related risks and rewards.

Recognition of components affecting the income statement

The components of income deriving from "Financial assets measured at fair value through other comprehensive income", excluding investments in equity instruments for which the above irrevocable election has been made, are recognised as described below:

- interest is calculated using the effective interest rate, i.e. the rate that exactly discounts cash flows over the expected life of the instrument (IRR rate). The IRR is determined taking into account any discounts or premiums on the acquisition, costs or commissions that are an integral part of the carrying amount;
- expected credit losses recognised during the period are recorded in caption "Write-downs/write-backs for credit risks on: b) financial assets measured at fair value through comprehensive income";
- on derecognition, the amount accumulated in the specific equity reserve is released to income statement caption "Gains/losses on disposal/repurchase of: b) financial assets measured at fair value through other comprehensive income".

Dividends are recognised when the right to collect them is established.

With regard to investments in equity instruments for which the above irrevocable election has been made, only the related dividends are recognised in the income statement, in caption "Dividends and similar income".

Changes in fair value subsequent to initial recognition are recorded in a specific equity reserve; on derecognition, the amount accumulated in the above reserve is not released to the income statement, but is reclassified among the profit reserves in equity.

2. **Financial assets measured at amortised cost**

Definition and classification

These include financial assets associated with the Hold to Collect Business Model whose contractual terms, at certain dates, provide for cash flows represented solely by payments of principal and interest on capital to be repaid and which therefore passed the SPPI test.
"Financial assets measured at amortised cost" include:
- due from banks
- due from financial companies
- receivables from customers.

These captions include the loans disbursed, the loans originating from finance leases (which, in accordance with IFRS 16, are recognised according to the so-called "financial method"). Receivables purchased without recourse are also recorded, after ascertaining that there are no contractual clauses that hinder the effective transfer of all the risks and rewards. With regard to the portfolio acquired with recourse, the amounts paid to the assignor as an advance are recognised in the same category.

Recognition

Financial instruments measured at amortised cost are initially recorded at fair value, understood as the cost of the instrument, including any directly attributable costs and proceeds. Factoring operations give rise to exposures to assignors representing loans disbursed for with-recourse assignments and exposures to assigned debtors representing the fair value of the receivables purchased versus without-recourse assignments. The first registration of a loan takes place on the date of sale following the signing of the contract (in the case of without-recourse assignment) and coincides with the disbursement date for with-recourse assignments. For the assignor and factor, this activity entails an assessment of the presence or not of the conditions required by IFRS 9 for derecognition (a company can cancel a financial asset from its financial statements only if, as the result of a sale, it has transferred the risks and rewards connected with the instrument sold, or if: a) the financial asset is transferred and with it substantially all the risks and contractual rights to the financial flows deriving from the asset expire; b) the benefits connected to its ownership ceases to apply) and consequent recognition on the factor's side.

To assess effective transfer of risks and rewards, it is necessary to compare the assignor's exposure to the variability of the current value or of the cash flows generated by the financial asset transferred, before and after the sale. The assignor essentially maintains all the risks and rewards when its exposure to the 'variability' of the present value of the net future cash flows of the financial asset does not change significantly following its transfer. Instead, transfer occurs when the exposure to this 'variability' is no longer significant.

The most frequently used forms of transfer of a financial instrument may have profoundly different accounting effects:

- in the case of a without-recourse assignment (without any guarantee obligation), the assets transferred can be cancelled from the assignor's financial statements;
- in the case of a with-recourse transfer, it is to be assumed that in most cases the risk associated with the asset sold remains with the seller and therefore the sale does not meet the requirements for derecognition of the instrument in question; only the amounts paid to the assignor as an advance of the consideration will be recorded.

Verification of the derecognition criteria, in the context of the without-recourse assignments underlying the factoring activity, also takes into consideration the risk mitigation clauses adopted by the Company through specific contractual provisions agreed with the assignors. These are clauses aimed at defining limits on individual assigned debtors, absolute and relative deductibles, so-called "bonus-malus" clauses and ones for late payment.

Loans to customers also include receivables for finance leases (as lessor).

Classification

This category comprises the financial assets whose defined business model is "Hold to Collect" and whose contractual terms pass the SPPI test.
"Financial assets measured at amortised cost" include receivables from customers, receivables from financial businesses and from banks.
These captions comprise commercial loans, repurchase agreements, loans originated by finance leases (recognised using the "financial method" pursuant to IFRS 16) and debt securities.
The Company has recorded under "Financial assets measured at amortised cost" the financial instruments purchased without recourse, subject to verification that there are no contractual clauses that hinder effective transfer of all the risks and rewards. With regard to the portfolio acquired with recourse, the amounts paid to the assignor as an advance are recognised in the same category.

Measurement

After initial recognition, loans are valued at their amortised cost, corresponding to the initially recognised amount less principal repayments, net adjustments and amortisation - calculated using the effective interest method – of the difference between the amount paid out and the amount repayable on maturity, which is generally attributable to the costs/income directly allocated to the individual loans.
The effective interest rate is the rate that discounts the flow of estimated payments over the expected duration of the loan back to its initial net book value, inclusive of directly-related costs and revenues. In financial terms, this method of recognition distributes the economic effect of these costs and revenues over the expected residual life of the loan.
The amortised cost method is not used in relation to short-term loans (up to 12 months), since the effect of discounting would be negligible. These loans are stated at historical cost.
Costs and revenues relating to loans without a fixed term or repayable on demand are recorded directly in the income statement.
At each reporting date, financial assets measured at amortised cost are adjusted for impairment by recognising any Expected Credit Losses (ECLs).
The following items fall within this sphere, with specific assessment methods:

- Non-performing loans (in "Stage 3") which have been assigned the status of bad, unlikely to pay or past due loans in compliance with the current rules of the Bank of Italy's supervisory regulations, in line with IAS/IFRS and European supervisory regulations.

The amount of the adjustment of each balance is equal to the difference between its carrying value at the time of measurement (amortised cost) and the present value of expected future cash flows.
The estimate of expected cash flows comes from assessing analytically the position of doubtful and "unlikely to pay" loans. For past due loans, the expected loss is determined by making use of statistical impairment methodologies. Any adjustments are recorded in the income statement.
The original value of loans is reinstated in subsequent periods, to the extent that the reasons for the adjustments made cease to apply, on condition that this assessment is objectively linked with events that took place subsequent to such adjustments. Any writebacks, also recorded in the income statement, cannot in any case exceed the amortised cost of the loan if the previous adjustments had not taken place.

- Ordinary loans, classified as performing loans, feed "Stage 1" and "Stage 2"; the measurement is carried out periodically in a differentiated manner, according to ECL model adopted by the BPER Banca Group, at 12 months or lifetime, respectively, the characteristics of which are summarised in paragraph "Methods for determining impairment losses - Impairment".

Forborne exposures, which by their nature can be classified as either non-performing or performing, are subject to the same valuation methods described above. If these are performing loans, the classification is in Stage 2.

Derecognition

Financial assets measured at amortised cost are derecognised from the balance sheet if one of the following situations occurs:

- the contractual rights to the cash flows deriving from them have expired;
- the financial asset is sold with the substantial transfer of all the risks and rewards deriving from its ownership;
- the financial asset is subject to write-off when there are no longer reasonable expectations of recovering the financial asset, also in the event of a waiver of the asset;
- the entity retains the contractual right to receive the cash flows deriving from the assets, but at the same time assumes the contractual obligation to pay the flows to a third party;
- amendments to the contract constitute "substantial" changes.

Recognition of components affecting the income statement

The result of derecognition of financial assets valued at amortised cost is recorded in the income statement under caption "100.a) Profits (losses) from the sale or repurchase of: financial assets valued at amortised cost" in the event of disposal. The result of measurement and write-off of financial assets valued at amortised cost is recorded under caption "130. Net impairment adjustments/write-backs relating to credit risk".

Criteria for the classification of financial instruments in Stages

The Stage Assignment Framework adopted contains the requirements for classifying financial instruments on the basis of the actual "deterioration" of the credit risk, in accordance with the requirements of IFRS 9, applying an approach that is consistent among the various portfolios and within the Banking Group. This classification in stages of increasing risk is determined using all the significant information contained in Group processes, as supported where applicable by updates and the credit monitoring processes.
Specifically, financial assets are classified into three stages of risk, each of which applies a different method to calculate the related impairment adjustments, while consistently applying the "Expected Loss" or "Expected Credit Losses" (ECL) concept:

- Stage 1: comprises all performing loans (originated or acquired) without any "significant increase in credit risk" (SICR) since initial recognition; the impairment adjustments reflect the expected losses that might arise on default within the next 12 months (12-month ECL);
- Stage 2: comprises all performing loans with a "SICR" since initial recognition; the impairment adjustments reflect the expected losses that might arise on default at any time in the life of the financial instrument (lifetime ECL);
- Stage 3: comprises all accounts in default at the reporting date, the impairment adjustments for which consider the lifetime ECL.

In particular, regarding the classification of loans in Stage 2, it is essential to identify correctly the SICR criteria used in the stage assignment process. For this purpose, the BPER Banca Group has structured a framework designed to identify the increase in credit risk before the credit lines granted show clear signs of impending default. While the distinction between performing and non-performing is made at counterparty level, classification into stages of risk is carried out at account level. In order to distinguish loans within the performing portfolio that do not show SICR (Stage 1) from those that do (Stage 2), the BPER Banca Group has decided to use all the following available significant factors as criteria for the analysis of credit quality:

- Relative quantitative criteria, such as the definition of internal thresholds of change between the PD identified on originating the contractual relationship and the PD at the measurement date, that identify a significant increase in credit risk.

In this context, in order to identify the changes in PD and the related thresholds, the framework adopted by the BPER Banca Group makes reference to the Lifetime PD curves, which contain forward-looking information, so that due consideration is given to macroeconomic factors and other elements, such as market type, sector of activity, type of financial instrument and the residual duration of the instrument concerned. The PD deltas defined and the related SICR thresholds have been reduced to a downgrade rating system based on comparison, differentiated by ageing clusters, between rating classes originating with respect to rating classes with a given valuation ("notching" between rating classes);

- absolute qualitative criteria that, via the identification of a risk threshold, identify the transactions to be classified in Stage 2 based on the specific risk information available. This category includes the adverse events impacting credit risk that are identified by the Early Warning credit performance monitoring system ("watchlist"). In order to avoid overlapping, some qualitative counterparty information has not been included among the staging criteria, as it is already considered in the rating models;
- Backstop indicators, including:
- the presence of exposures with a significant past due balance for more than 30 days;
- the presence of a regulatory probation period of 24 months for forbearance measures;

The standard also envisages the possible use of a practical expedient, intended to reduce the implementation burden for transactions that, at the measurement date, have a low credit risk and can be classified in Stage 1 without first carrying out the SICR test. The standard considers an asset to have a low credit risk if the debtor is well able to meet the short-term cash flow requirements deriving from its contractual obligations and adverse changes in the long-term economic situation might reduce that ability, but not necessarily.
The BPER Banca Group has decided not to adopt this practical expedient.
For information about the amendments made to the method of classifying financial assets as a consequence of Covid-19, see the earlier section entitled "Accounting estimates – Overlay approach in the measurement of credit risk".

Purchased Originated Credit Impaired - POCI - financial assets

If a credit exposure classified in caption 30 "Financial assets measured at fair value through other comprehensive income" or in caption 40 "Financial assets measured at amortised cost" at the time of initial recognition becomes impaired, it is identified as "Purchased Originated Credit Impaired (POCI)".

By convention, POCI financial assets are classified in Stage 3 on initial recognition.
Should these assets become performing, following an improvement in the creditworthiness of the counterparty, they are reclassified to Stage 2.
They can never be classified in Stage 1, as the expected credit loss must always be calculated over the residual duration.

3. Property, plant and equipment

Recognition

Property, plant and equipment are recorded at purchase cost, including ancillary charges directly attributable to the purchase and commissioning of the asset. Expenditure on improvements that will generate future economic benefits is added to the value of the assets concerned, while routine maintenance costs are charged to the income statement. Lease contracts (as a lessee) are accounted for (in application of IFRS 16) on the basis of the right of use model. At the initial recognition date, the value of the right of use is equal to the initial recognition value of the lease liability (see the paragraph on Financial liabilities measured at amortised cost), adjusted for the following components:

- payments due for leases made on or before the effective date, net of lease incentives received;
- direct initial costs incurred by the lessee;
- the estimate of the costs that the lessee will incur for the dismantling and removal of the underlying asset and for the restoration of the site in which it is located or for the restoration of the underlying asset under the conditions set by the terms and conditions of the lease.

When the asset is made available to the Company for its use (initial recognition date), the related right of use is recognised. In identifying the rights of use, the Company applies the "simplifications" allowed by IFRS 16, so contracts with the following characteristics are not taken into consideration:

- "short-term" contracts, i.e. those with a residual life of less than 12 months;
- "low-value" contracts, i.e. those with an estimated asset value of less than Euro 5,000.

The other choices made are as follows:

- with reference to the duration of the "Real estate" leases, the Company considers "reasonably certain" only the first renewal period, subject to contractual clauses and specific circumstances that could lead to different contractual durations being considered;
- as regards "Cars" and "Other contracts", the Company has taken advantage of the practical expedient by which the lessee is allowed not to separate the lease components from the other components, i.e. treating them as a single lease component.

Classification

This aggregate includes tangible fixed assets consisting of assets used in current operations (business properties, plant, machinery, furnishings and any kind of equipment). It also includes assets arising from finance leases that have been repossessed by the Company as a result of interruption of the contract and a negotiated settlement that envisages complete closure of the customer's obligations in exchange for restitution of the assets and payment of an indemnity. This caption also includes leasehold improvements, relating to identifiable and separable property, plant and equipment.

Measurement

All tangible fixed assets with a limited duration are measured at cost, net of accumulated depreciation and any impairment losses. Subjecting assets of limited duration to depreciation involves systematically charging portions of cost to the income statement over the residual useful life of the assets:

1) the duration of depreciation schedules corresponds to the period of time between the moment when the assets are available for use and the moment when it is expected that they will no longer be used;
2) straight-line depreciation rates are used;
3) periodically assets are reviewed to see if substantial changes have taken place in their original condition that would make it necessary to amend the initial amortisation schedules.
Assets resulting from the interruption of lease contracts and due to be sold are classified as assets belonging to the Company and are not depreciated, but subjected to impairment testing.

Derecognition

Property, plant and equipment are derecognised at the time of their sale or disposal when they have fully exhausted their economic usefulness.

Recognition of components affecting the income statement

The periodic depreciation charges are shown in the income statement caption "Net adjustments to property, plant and equipment".
If there are signs of potential impairment in an item of property, plant and equipment, a comparison is made between the carrying amount and the recoverable amount, which is the higher of the value in use, defined as the present value of future cash flows from the asset, and its fair value less costs to sell; any negative difference between the carrying amount and the recoverable amount is recognised in the income statement. If the reasons for the impairment cease to exist, a writeback is recognised to the income statement; after a writeback, the carrying value cannot exceed the value that the asset would have had, net of depreciation, without the previous impairment losses.

4. Intangible assets

Recognition

Intangible assets other than goodwill are initially recognised at cost, as represented by the purchase price paid plus any directly-related costs incurred to obtain use of the assets concerned Goodwill may be recognised as an intangible asset when the positive difference between the acquisition cost of an equity interest (including related charges) and the fair value of the net assets acquired, including those identified as part of the Purchase Price Allocation (PPA), is representative of the investee's ability to generate income in the future (goodwill). If the difference is negative (badwill) or the goodwill is not justified by the investee's ability to generate income in the future, the difference is recognised in the income statement.

Classification

This aggregate includes intangible factors of production of long-term utility with a limited or unlimited duration, represented in particular by software and goodwill.
Intangible assets include intangible factors of production that benefit several years, whose cost can be measured reliably, providing they involve elements that are:
• identifiable, i.e. legally protected or traded separately from other corporate assets;
• controlled by the Company;
• able to generate future economic benefits.

Measurement

Intangible assets of limited duration are carried at cost, net of accumulated amortisation and any impairment losses. The period of amortisation corresponds to the estimated useful life of the assets and is charged over time on a straight-line basis, with the exception of land, as it has an indefinite useful life.

Subjecting assets of limited duration to amortisation involves systematically charging portions of cost to the income statement over the residual useful life of the assets:
1) the duration of amortisation schedules corresponds to the period of time between the moment when the assets are available for use and the moment when it is expected that they will no longer be used;
2) straight-line depreciation rates are used;
3) periodically assets are reviewed to see if substantial changes have taken place in their original condition that would make it necessary to amend the initial amortisation schedules.
If there is any indication of impairment, intangible assets are subjected to an impairment test. The impairment loss, expensed to income, is the difference between the carrying value of an asset and its recoverable amount.
Intangible assets with an indefinite life, such as goodwill, are not amortised and are tested for impairment at the reporting date.

Derecognition

Intangible assets are derecognised upon disposal or when no future economic benefits are expected.

Recognition of components affecting the income statement

The periodic amortisation charges, any write-downs and any impairment losses of goodwill are shown in the income statement caption "Net adjustments to intangible assets".

5. other assets and liabilities

This caption includes assets and liabilities not attributable to other asset or liability captions in the balance sheet. This includes, among other things, receivables from the provision of goods and services of a non-financial nature, as well as tax items other than those identified under "Tax assets/liabilities".

Other assets and liabilities are generally measured at their nominal value.

6. Current and deferred taxation

This caption includes tax items recognised in accordance with IAS 12.

Income taxes for the year were determined by applying the legislation in force at 31 December 2020, also taking into account the changes introduced by the 2020 Budget Law:

- the reintroduction of the ACA benefit starting from 2019, benefit applied also in 2020, with a rate of 1.3 %;
- deductibility of 10% of the adjustments made on FTA of IFRS9;
- deductibility of the portion of impairment losses on receivables deriving from prior years;
- deductibility of the portion of goodwill with convertible DTA.

Deferred tax assets and liabilities are recorded following the positive outcome of the probability test required by IAS 12 relating to temporary changes and tax losses. The time horizon used for the forecasts is five years: 2021-2025.

Recognition

Current and deferred taxes are calculated in accordance with current Italian tax legislation and recognised on an accrual basis to match the costs and revenues that generated them, applying the tax rates currently in force. Deferred tax assets and liabilities are determined on the basis of temporary differences (without time limits) between the value attributed to an asset or a liability according to statutory criteria and the corresponding amounts used for tax purposes. On account of the fact that the Company has opted to be a member of the domestic tax group, deferred tax assets are recognised to the extent that it is probable that they will be recovered on the basis of the Company's and the Group's ability to continue generating positive taxable income.

Classification

Current taxes include advances paid, tax credits for withholding taxes paid and those for which reimbursement has been requested to the pertinent Tax Authorities (current assets) and amounts still to be paid (current liabilities) on income taxes due for the period.
Deferred taxes represent the income taxes recoverable in future periods as a result of deductible temporary differences (deferred tax assets), and the income taxes payable in future periods as a result of taxable temporary differences (deferred tax liabilities).

Measurement

Current taxes, for the current year and for prior years, have to be determined at the amount expected to be paid or recovered from the tax authorities, applying the tax rates and fiscal legislation currently in force.
Deferred taxes must be accounted for using the tax rates that are expected to apply in the period when the tax asset will be realised or the tax liability settled, based on the tax rates and fiscal legislation currently in force.
The valuation of deferred tax items has to reflect the fiscal consequences that derive from the way in which the company expects, at the balance sheet date, to recover or settle the carrying amount of its assets and liabilities.

Recognition of components affecting the income statement

The contra-entry for the tax assets and liabilities goes to the income statement caption "Income taxes for the year on current operations", except for those attributable to equity as they derive from situations or transactions whose results directly affected equity.

7. Financial liabilities valued at amortised cost

Recognition

These liabilities are initially recognised at their fair value, usually corresponding to the amount collected or the issue price, plus any additional costs/proceeds directly attributable to the individual funding transaction or issue. This caption includes:
- due to banks;
- due to customers;
- lease liabilities.

In relation to lease payables, on the effective date the lessee has to assess the lease payable at the present value of the payments due for the lease not already paid at that date. Payments due for leases are discounted using the implicit interest rate of the lease, if it can be easily determined, otherwise at the incremental borrowing rate.
The future payments to be considered in determining the lease payable are:

- fixed payments, net of any lease incentives to be received;
- variable payments due for leasing that depend on an index or a rate;
- amounts that are expected to be paid by the lessee as guarantees of the residual value;
- the exercise price of the purchase option, if the lessee has a reasonable certainty of exercising the option;
- lease penalty payments, if the lease term takes into account the exercise of the lease termination option by the lessee.

Classification

This portfolio includes payables, whatever their technical form, other than those included in "Financial liabilities held for trading" and "Financial liabilities designated at fair value through profit or loss" Payables relating to the provision of financial activities and services as defined by the CBA and the CFA are included. They represent amounts due to banks, financial institutions and customers that constitute the type of funding (regardless of their contractual form). This caption also includes amounts due to assignors for receivables acquired without recourse, if all the risks and rewards have been transferred, for the part of the consideration that has not yet been paid to the assignor.

Measurement

After initial recognition at fair value, financial liabilities are subsequently carried at amortised cost. The amortised cost method is not used for short-term financial liabilities as the effect of discounting is considered negligible; they continue to be measured at the amount collected and any costs are charged to the income statement. Amendments to the contractual conditions of the medium-long term items (also including lease payables) will entail the adjustment of the book value based on discounting the flows envisaged by the contract modified to the original effective interest rate, without prejudice to the changes made to lease payables which, as indicated by IFRS 16, involve the use of the updated rate (for example: a modification of the lease term or a change in the rental amount).

Derecognition

Financial liabilities are derecognised when they expire, are extinguished or if they are repurchased. The difference between the carrying amount of the liability and the amount paid to repurchase it is recorded in the income statement.

Recognition of components affecting the income statement

Interest and similar expense deriving from financial liabilities are recognised in the income statement in caption "20. Interest and similar expense".

8. Foreign currency transactions

Recognition and measurement

On initial recognition, foreign currency transactions are recorded in the reporting currency, by translating the foreign currency amounts using the exchange rates prevailing on the transaction dates. Subsequently, assets and liabilities denominated in foreign currencies are adjusted to the exchange rate at the balance sheet date.

Derecognition

The criteria applying to the balance sheet captions concerned are used. The exchange rate applying on the settlement date is used.

Recognition of components affecting the income statement

Exchange differences deriving from the settlement of monetary items or from the translation of monetary items using rates other than the initial translation rate, or the closing rate at the end of prior periods, are recorded in the income statement for the period in which they arise (under "Net trading income").

9. Provision for termination indemnities

Recognition

The provision for termination indemnities is recorded on the basis of its actuarial value, as indicated in IAS 19 Revised.
Advances paid as per Law 297/1982 are charged against the provision. The amounts which employees have asked to be transferred to the Company's pension fund are charged against the provision, as established by the regulations of the Bank of Italy.

Classification

Pursuant to Law no. 296 dated 27 December 2006 (2007 Finance Law):

• the termination indemnities accruing from 1 January 2007 are considered a defined-contribution plan for which no actuarial calculations are required;
• the termination indemnities already accrued at the dates indicated above, on the other hand, continue to be treated as a defined-benefit plan, even though the benefits have already been earned. As a consequence, the actuarial value of the liability must be redetermined at every accounting date subsequent to 31 December 2006.

The provision for termination indemnities is recorded as a separate liability, while other benefits are recorded among the provisions for risks and charges.

Measurement

The provision for employee termination benefits is measured using the "Projected Unit Credit Method" applied by an independent actuary; this method involves projecting future outlays based on historical statistical analysis of the demographic curve and the present value of those cash flows discounted at a market interest rate.

Derecognition

The payables are derecognised on termination of the employment relationship.

Recognition of components affecting the income statement

Service costs are recorded as payroll costs, together with the related interest costs.
Actuarial gains and losses (remeasurements) relating to post-employment, defined benefit plans are recorded in shareholders' equity in the year they are identified. These actuarial gains and losses are reported in the Statement of comprehensive income, as required by IAS 1. The actuarial gains and losses (remeasurements) relating to other long-term benefits are recognised in full as part of payroll costs in the year in which they arise. Expense and income relating to seconded personnel is recorded in caption 110 a) "Payroll costs".

In accordance with IAS 19 and 37, amounts relating to collective bargaining manoeuvres as a consequence of framework agreements entered into with the trade unions, which normally provide for redundancy incentives or a solidarity fund, are recognised upon the execution of the agreement. The expense is recognised in profit or loss as payroll costs with a contra entry to Provisions for risks and charges.

10. **Provisions for risks and charges**

Recognition

Provisions for risks and charges are charged to the income statement and recognised as liabilities in the balance sheet if the following conditions are met:

- there is a present current, legal or constructive obligation based on a past event;
- there is a likelihood that the obligation will be onerous;
- the loss associated with the liability can be reliably estimated.

As a source of only potential and unlikely liabilities, no provision is recognised, but information is provided on existing risks.

Classification

This caption includes the provisions relating to long-term benefits and post-employment benefits governed by IAS 19 and the "Provisions for risks and charges" dealt with in IAS 37. The sub-caption "commitments and guarantees granted" includes provisions for credit risk in connection with commitments to disburse loans and financial guarantees given that are subject to IFRS 9 impairment rules and provisions for other commitments and other guarantees that are not subject to IFRS 9 impairment rules.

Measurement

Provisions are recorded at management's best estimate of the amount required to settle the obligation, or to transfer it to a third party at the end of the period.
When the effect of the passage of time is significant and the payment dates of the obligations can be reliably estimated, the provision is discounted at the market rate prevailing at the balance sheet date.

Derecognition

Provisions are used only to cover the charges for which they were originally recorded. If it is no longer deemed likely that settling the obligation will require an outflow of resources, the provision is reversed through the income statement.

Recognition of components affecting the income statement

Write-downs and write-backs of commitments and guarantees granted are recorded in caption "Net provisions for risks and charges – commitments and guarantees granted". Provisions for risks and charges and the related write-backs, including the effects of the passage of time, are classified in caption "Net provisions for risks and charges – Other net provisions" of the income statement. Provisions are made on the basis of the best estimate of the amount that the company would reasonably pay to settle the obligation or to transfer it to third parties at the balance sheet date. When the financial effect of time is significant and the payment dates of obligations can be reliably estimated, the provision is calculated by discounting the expected future cash flows taking into account the risks associated with the obligation; the increase in the provision due to the passage of time is recognised in the income statement.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, i.e. those items that meet the requirements of availability on demand or at very short term, with no collection problems and no collection expenses.
For the purposes of the cash flow statement, cash and cash equivalents include the positive or negative balances on the Company's bank accounts at the periods end.

11. Other information

Interest and other similar income and expense are accounted for on an accruals basis.
Revenue is recognised when received or when it is probable that any future economic benefit will be received and can be measured with reliability.

A.2 Information on transfer of financial asset portfolios

As regards the requirements of IFRS 7, there have not been any transfers of financial assets between portfolios.

A.4 Information on fair value

Qualitative information

A.4.1 – Fair value level 2 and 3: measurement techniques and input used.

The fair value is defined as the amount at which an asset could be exchanged, or a liability settled, between knowledgeable and willing parties in an arm's length transaction.
According to IFRS 13 the existence of published price quotations in an active market is the best evidence of fair value and, when they exist, they are used to measure the financial asset or financial liability. A financial instrument is regarded as quoted in an active market if prices are readily and regularly available from an exchange and represent actual market transactions that take place regularly in normal market negotiations.
If the market for a financial instrument is not active, the fair value is determined using estimates and valuations that take into account all of the risk factors related to the instruments that are based on observable market data,

such as: methods based on the valuation of listed instruments with similar characteristics, the present values of expected cash flows and values recorded in recent comparable transactions in order to adequately reflect the market price of the financial instrument at the measurement date.
For assets and liabilities recognised in the balance sheet at cost or amortised cost, maturing in the short term or indefinitely, we consider that the carrying amount, net of collective/analytical writedowns, represents a good approximation of fair value.

In the fair value hierarchy, these receivables are ranked third level as the contractual agreements arise from agreements made on each occasion by the parties and therefore not observable in the marketplace.

Financial debts also take on the characteristic of short-term liabilities, whose fair value corresponds to the value of the sums or funds received by the Company.

The Company classifies its financial assets and liabilities by decreasing degree of fair value quality on the basis of the following principles:

- Fair value Level 1. Measurement is based on the price of the financial instrument concerned, being a quoted price in an active market.
- Fair value Level 2. Measurement is not based on quoted prices in active markets for the financial instrument concerned, but on meaningful prices obtained from non-active markets or reliable infoproviders, or on prices determined using an appropriate valuation technique largely based on observable market parameters, including credit spreads, derived from quotations of instruments that are substantially similar in terms of risk factors considered. The objective of the use of valuation techniques is to reaffirm the aim of obtaining a closing price at the valuation date from the point of view of a market participant that holds the financial instrument.
- Fair value Level 3. Measurement is based on various inputs that include subjective parameters, that is, parameters whose value cannot be derived from quoted prices observable in active markets. Since the parameters are not observable directly in the market, it follows that the valuer is required to make estimates and assumptions.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorised within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.
In accordance with Group guidelines, the Company has established:

- the analyses to be performed in the event of changes in valuation techniques used to measure fair value;
- the policy for determining when transfers between fair value hierarchy levels are deemed to have occurred and which is constantly adhered to.

As a general principle, to be allocated to Level 1 of the fair value hierarchy, if there is a quoted price in an active market for an asset or a liability, that price should be used without adjustment when measuring fair value. In fact, the fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities and the lowest priority to unobservable inputs.
An allocation to Levels 2 and 3 depends on how the inputs used for the fair value measurement of an asset or liability are categorised within different levels of the fair value hierarchy: in those cases, the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.
Assessing the significance of a particular input to the entire measurement requires judgement, taking into account factors specific to the asset or liability.
The availability of relevant inputs and their relative subjectivity might affect the selection of appropriate valuation techniques.

Quantitative information

A.4.5 – Fair value hierarchy

A.4.5.1 – Assets and liabilities measured at fair value on a recurring basis: breakdown by level of fair value.

	31.12.2020			31.12.2019		
Assets/liabilities measured at fair value	L1	L2	L3	L1	L2	L3
1. Financial assets designated at fair value through profit or loss						
a) financial assets held for trading						
b) financial assets designated at fair value through profit or loss						
c) other financial assets mandatorily measured at fair value						
2. Financial assets measured at fair value through comprehensive income	1,631		45	1,622		40
3. Hedging derivatives						
4. Property, plant and equipment						
5. Intangible assets						
Total	1,631	-	45	1,622	-	40
1. Financial liabilities held for trading						
2. Financial liabilities designated at fair value through profit or loss						
3. Hedging derivatives						
Total						

Key: L.1=Level 1; L.2=Level 2; L.3=Level 3.

A.4.5.2 – Change in year in assets measured at fair value on a recurring basis (Level 3)

		Financial assets measured at fair value through profit or loss				Financial assets measured at fair value through comprehensive income	Hedging derivatives	Property, plant and equipment
		Total	of which: a) financial assets held for trading	of which: b) financial assets designated at fair value through profit or loss	of which: c) financial assets mandatorily measured at fair value			
1	**Opening balance**					**40**		
2	**Increases**	**-**	**-**	**-**	**-**	**5**	**-**	**-**
2.1.	Purchases							
2.2.	Profits recognised in: 2.2.1 Income statement of which: capital gains	-	-	-	-	5	-	-
	2.2.2 Shareholders' equity					5		
2.3	Transfers from other levels							
2.4	Other increases							
3	**Decreases**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
3.1.	Sales							
3.2.	Redemptions							
3.3	. Losses recognised in: 3.3.1 Income statement of which: capital losses	-	-	-	-	-	-	-
	3.3.2 Shareholders' equity							
3.4	Transfers from other levels							
3.5	Other decreases							
4.	**Closing balance**	-	-	-	-	45	-	-

A.4.5.4 Assets and liabilities not measured at fair value or measured at fair value on a not recurring basis: breakdown by level of fair value.

Assets and liabilities not measured at fair value or measured at fair value on a not recurring basis	31.12.2020				31.12.2019			
	CA	L1	L2	L3	CA	L1	L2	L3
1. Financial assets measured at amortised cost	1.055.724			1.055.724	1.081.682			1.081.682
2. Investment property								
3. Non-current assets and disposal groups held for sale								
Total	**1.055.724**	**-**	**-**	**1.055.724**	**1.081.682**	**-**	**-**	**1.081.682**
1. Financial liabilities measured at amortised cost	864.254			864.254	898.487			898.487
2. Liabilities associated with non-current assets held for sale								
Total	**864.254**	**-**	**-**	**864.254**	**898.487**	**-**	**-**	**898.487**

Key:

CA = carrying amount

L1 = level 1

L2 = level 2

L3 = level 3

The fair value of receivables and payables is assumed to equate to their carrying amount, since they relate to transactions that are almost entirely short term.

A.5 Information on "Day one profit/loss"

PART B - INFORMATION ON THE BALANCE SHEET

ASSETS

SECTION 1 – CASH AND CASH EQUIVALENTS – CAPTION 10

Cash and cash equivalents: breakdown

Breakdown		31.12.2020	31.12.2019
1.	Cash and stamps	1	2
	Total	**1**	**2**

SECTION 3 – FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH COMPREHENSIVE INCOME – CAPTION 30

3.1 Financial assets measured at fair value through comprehensive income: breakdown by product

Captions/Amounts	Total 31.12.2020			Total 31.12.2019		
	L1	L2	L3	L1	L2	L3
1. Debt securities	**1,631**			**1,622**		
1.1 structured securities						
1.2 other debt securities	1,631			1,622		
2. Equity instruments			45			40
3. Loans						
Total	**1,631**	**-**	**45**	**1,622**		**40**

Key:
L1 = Level 1
L2 = Level 2
L3 = Level 3

Financial assets through comprehensive income are valued at fair value according to the methods indicated in Part A of these explanatory notes.

Debt securities consist of CCTs maturing on 15.02.2024 and BTPs maturing on 01.08.2022 (purchased on 23.05.2017 and 22.11.2017, respectively). These securities are held by the Company to comply with the provisions of Decree Law no. 29 of 17.2.2009 on financial intermediaries on the special list of those that carry on the business of issuing guarantees to the public.

Sub-caption 2 "Equity instruments" includes an investment in Emil-Ro Service S.r.l., the carrying amount of which is Euro 35 thousand, and an investment, acquired in 2015, in BPER Crediti Management Soc. Consortile per azioni, a company set up on 22 December 2015 with capital of Euro 1 million, of which BPER Factor holds a stake of 1% equal to Euro 10 thousand.

3.2 Financial assets measured at fair value through comprehensive income: breakdown by debtor/issuer

	Total 31.12.2020	Total 31.12.2019
1. **Debt securities**		
a) Public administration	1,631	1,622
b) Banks		
c) Other financial companies		
of which: insurance companies		
d) Non-financial companies		
2. **Equity instruments**		
a) Public administration		
b) Banks		
c) Other financial companies		
of which: insurance companies		
d) Non-financial companies	45	40
3. Loans		
a) Public administration		
b) Banks		
c) Other financial companies		
of which: insurance companies		
d) Non-financial companies		
e) Households		
Total	**1,676**	**1,662**

3.3 Financial assets measured at fair value through comprehensive income: gross value and total adjustments

	Gross value				Total writedowns			Total partial write-offs (*)
	Stage 1	of which: instruments with low credit risk	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
Debt securities	1,632				1			
Loans								
Total at 31.12.2020	1,632	-	-	-	1	-	-	-
Total at 31.12.2019	1,623	-	-	-	1			
of which: non-performing financial assets acquired or originated								

(*) Value to be shown for disclosure purposes

3.3a Loans measured at fair value through comprehensive income object of support measures against Covid-19: gross value and total writedowns

At the reporting date, there are no loans subject to moratoria or other concessions intended to provide Covid-19 support.

SECTION 4 – FINANCIAL ASSETS MEASURED AT AMORTISED COST – CAPTION 40

This section shows receivables net of impairment losses and are classified by type of counterparty. "Other loans and receivables" include the amounts accrued from maturity transactions *(extended credit terms granted to assigned debtors)* and receivables purchased but not eligible for inclusion under Law 52/91.

4.1 Financial assets measured at amortised cost: breakdown by product of amounts due from banks

Breakdown	31.12.2020						31.12.2019					
	Book value			Fair value			Book value			Fair value		
	Stage 1 and 2	Stage 3	of which: impaired acquired or originated	L1	L2	L3	Stage 1 and 2	Stage 3	of which: impaired acquired or originated	L1	L2	L3
1. Deposits and current accounts	**609**	-				**609**	**679**	-				**679**
2 Loans	**7,270**					**7,270**	**9,037**					**9,037**
2.1 Repurchase agreements												
2.2 Lease loans												
2.3 Factoring	7,270	-				7,270	9,037	-				9,037
- with recourse	-					-	-					-
- without recourse	*7,270*					*7,270*	*9,037*					*9,037*
2.4 Other loans												
3. Debt securities												
3.1 structured securities												
3.2 other debt securities												
4 Other assets												
Total	**7,879**	**-**	**-**			**7,879**	**9,716**	**-**	**-**			**9,716**

Key: L1= level 1; L2 = level 2; L3 = level 3.

There are no non-performing positions reclassified to "Due from banks".

4.2 Financial assets measured at amortised cost: breakdown by product of receivables from financial companies

Breakdown	31.12.2020						31.12.2019					
				Fair value						Fair value		
	Stage 1 and 2	Stage 3	of which: impaired acquired or originated	L1	L2	L3	Stage 1 and 2	Stage 3	of which: impaired acquired or originated	L1	L2	L3
1. Loans	**33,394**	-				**33,394**	**35,950**	-				**35,950**
1.1 Repurchase agreements												
1.2 Lease loans												
1.3 Factoring	33,394	-				33,394	35,950	-				35,950
- with recourse	*33,394*					*33,394*	*35,950*					*35,950*
- without recourse												
1.4 Other loans												
2. Debt securities												
2.1 structured securities												
2.2 other debt securities												
3. Other assets												
Total	**33,394**	**-**	**-**			**33,394**	**35,950**	**-**	**-**			**35,950**

4.3 Financial assets measured at amortised cost: breakdown by product of receivables from customers

Breakdown	Total 31.12.2020						Total 31.12.2019					
	Book value			Fair value			Book value			Fair value		
	Stage 1 and 2	Stage 3	of which: impaired acquired or originated	L1	L2	L3	Stage 1 and 2	Stage 3	of which: impaired acquired or originated	L1	L2	L3
1. Loans	**1,006,056**	**8,392**				**1,014,448**	**1,023,522**	**12,494**				**1,036,016**
1.1Lease loans	1,370	4,525				5,895	1,433	4,737				6,170
of which: without purchase option												
1.2 Factoring	*995,922*	*3,865*				*999,787*	*1,021,268*	*7,559*				*1,028,827*
- with recourse	*542,535*	*3,312*				545,847	*502,596*	*7,346*				509,942
- without recourse	*453,387*	*553*				453,940	*518,672*	*213*				518,885
1.3. Consumer credit						-						-
1.4. Credit cards												
1.5. Pledged loans												
1.6. Loans granted in relation to payment services provided												
1.7. Other loans	8,764	2				8,766	821	198				1,019
of which: enforcement of guarantees and commitments												
2. Debt securities	-											
2.1. Structured securities												
2.2. Other debt securities												
3. Other assets	1					1	1					1
Total	**1,006,057**	**8,392**				**1,014,449**	**1,023,523**	**12,494**				**1,036,017**

Key: L1 = Level 1; L2 = level 2; L3= level 3

4.4 Financial assets measured at amortised cost: breakdown by debtor/issuer of receivables from customers

Type of transactions/Amounts	Total 31.12.2020			Total 31.12.2019		
	Stage 1 and 2	Stage 3	Of which: impaired assets acquired or originated	Stage 1 and 2	Stage 3	Of which: impaired assets acquired or originated
1. Debt securities						
a) Public administration						
b) Non-financial companies						
2. Loans to:						
a) Public administration	1,243					
b) Non-financial companies	888,541	8,125		898,991	12,189	
c) Households	116,273	267		124,532	305	
3. Other assets						
Total	**1,006,057**	**8,392**	**-**	**1,023,523**	**12,494**	**-**

4.5 Financial assets measured at amortised cost: gross value and total impairment adjustments

	Gross value				Total impairment adjustments			Total partial write-offs (*)
	Stage 1		Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
		of which: instruments with low credit risk						
Debt securities								
Loans	982,685		67,252	24,445	2,042	563	16,053	3,033
Other assets	1							
Total 31.12.2020	**982,686**		**67,252**	**24,445**	**2,042**	**563**	**16,053**	**3,033**
Total 31.12.2019	**1,046,849**		**24,456**	**29,109**	**1,788**	**329**	**16,615**	**3,033**
of which: non-performing financial assets acquired or originated	X	X			X			

(*) Value to be shown for disclosure purposes

Stage 3 includes all categories of non-performing receivables (doubtful, UTP and past due receivables).

4.5a Loans measured at amortised cost subject to Covid-19 support measures: gross value and total writedowns (represents an "of which" in table 4.5)

	Gross value				Total impairment adjustments			Total partial write-offs (*)
	Stage 1		Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
		of which: instruments with low credit risk						
1. Loans subject to forbearance measures consistent with the GL	977				6			
2. Loans subject to other forbearance measures								
3 New loans								
Total 31.12.2020	**977**				**6**			
Total 31.12.2019								

(*) Value to be shown for disclosure purposes

The amount relates to the balance at 31 December 2020 for counterparties with outstanding moratoria at that date.

4.6 Financial assets measured at amortised cost: secured assets

	31.12.2020						31.12.2019					
	Due from banks		Due from financial companies		Loans to customers		Due from banks		Due from financial companies		Loans to customers	
	CA	FV	CA	FV	CA	FV	CA	FV	CA	FV	CA	FV
1. Performing assets secured by:	**-**	**-**	**33,385**	**33,385**	**545,589**	**521,438**	**-**	**-**	**35,935**	**35,935**	**657,883**	**573,105**
- Assets under finance leases			-	-	1,370	1,370			-	-	1,432	1,432
- Factoring receivables		-	33,385	33,385	464,533	464,533			35,935	35,935	445,507	445,507
- Mortgages	-	-	-	-	24	24	-	-	-	-	-	-
- Pledges	-	-	-	-	2,382	2,382	-	-	-	-	10,537	10,537
- Personal guarantees			-	-	77,280	53,129			-	-	200,407	115,629
- Credit derivatives	-	-	-	-	-	-	-	-	-	-	-	-
2. Non-performing assets secured by:	**-**	**-**			**10,174**	**10,073**	**-**	**-**			**12,080**	**12,080**
- Assets under finance leases	-	-	-	-	4,525	4,525	-	-	-	-	4,737	4,737
- Factoring receivables	-	-	-	-	3,258	3,258	-	-	-	-	7,182	7,182
- Mortgages	-	-	-	-	-	-	-	-	-	-	-	-
- Pledges	-	-	-	-	-	-	-	-	-	-	-	-
- Personal guarantees	-	-	-	-	2,391	2,290	-	-	-	-	161	161
- Credit derivatives	-	-	-	-	-	-	-	-	-	-	-	-
Total	**-**	**-**	**33,385**	**33,385**	**555,763**	**531,511**	**-**	**-**	**35,935**	**35,935**	**669,963**	**585,185**

key:

CA = carrying amount of exposures

FV= fair value of the guarantees

The table shows secured receivables, broken down by type of collateral and by type of secured asset. In cases where the value of the collateral is higher than the value of the secured asset, the "FV" column (fair value of the guarantees) shows the carrying amount of the asset (CA).

If there were multiple guarantees underlying the advances paid to assignors in the factoring of receivables "with recourse", the order of priority was as follows:

1. Factoring receivables
2. Mortgages
3. Pledges
4. Personal guarantees.

Receivables acquired with factoring transactions "without recourse", if guaranteed, are indicated according to the technical form of the guarantees, attributing them first to secured guarantees and subsequently to unsecured guarantees.

In the presence of personal guarantees on the same asset, they were classified according to the following counterparty hierarchy:

1. guarantees of governments and other public sector entities
2. guarantees of banks
3. guarantees of non-banking companies
4. guarantees of other entities.

The value of the portion of insured receivables in factoring transactions without recourse and for which the Company has signed an insurance policy that indemnifies it in the event of insolvency on the part of the assigned debtor is Euro 138,636 thousand.

Assets under finance leases relate solely to properties. Those classified as performing are measured at their residual value, whereas those classified as non-performing are measured at their estimated realisable value.

SECTION 7 – EQUITY INVESTMENTS – CAPTION 70

7.3 "Significant investments: accounting information"

SECTION 8 – PROPERTY, PLANT AND EQUIPMENT – CAPTION 80

8.1 Property, plant and equipment used in operations: breakdown of assets carried at cost

Assets/Amounts	31.12.2020	31.12.2019
1. Owned property	**862**	**781**
a) land	425	425
b) buildings	-	-
c) furniture	48	36
d) electronic equipment	38	23
e) other	351	297
2. Right of use assets acquired with leases	**2,761**	**4,211**
a) land		
b) buildings	2,540	4,028
c) furniture		
d) electronic equipment		
e) other	221	183
Total	**3,623**	**4,992**
of which: obtained through the enforcement of guarantees		

8.6 Property, plant and equipment used in operations: changes during the year

	Land	Buildings	Furniture	Electronic equipment	Other	Total
A. Gross opening balance	**425**	**4,515**	**665**	**767**	**829**	**7,201**
A.1 Net total decreases	-	(486)	(630)	(744)	(349)	(2,209)
A.2 Net opening balance	**425**	**4,029**	**35**	**23**	**480**	**4,992**
B. Increases:	**-**	**1,371**	**30**	**24**	**194**	**1,619**
B.1 Purchases	-	1,371	30	24	194	1,619
B.2 Capitalized leasehold improvements	-	-	-	-	-	-
B.3 Writebacks	-	-	-	-	-	-
B.4 Increases in fair value posted to	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
B.5 Exchange gains	-	-	-	-	-	-
B.6 Transfers from investment property	-	-				-
B.7 Other changes		-	-	-	-	-
C. Decreases:	**-**	**2,860**	**17**	**9**	**102**	**2,988**
C.1 Sales	-	2,490	-	-	1	2,491
C.2 Depreciation	-	370	17	9	101	497
C.3 Impairment losses recognised to	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.4 Negative changes in fair value posted to	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.5 Exchange losses	-	-	-	-	-	-
C.6 Transfers to:	-	-	-	-	-	-
a) investment property	-	-				-
b) non-current assets and disposal groups held for sale	-	-	-	-	-	-
C.7 Other changes	-	-	-	-	-	-
D. Net closing balance	**425**	**2,540**	**48**	**38**	**572**	**3,623**
D.1 Net total decreases	-	- 856	(647)	(733)	(257)	(2,706)
D.2 Gross closing balance	**425**	**1,684**	**695**	**771**	**829**	**6,329**
E. Measurement at cost	**425**	**2,540**	**48**	**38**	**572**	**3,623**

Land relates to a property that had previously been leased to others. As a result of the user's default, the lease contract was terminated and the building is again available to BPER Factor. This asset is now involved in a lease contract with the rent to buy formula.

The other changes in buildings refer to the transfer of the Milan head office.

SECTION 9 – INTANGIBLE ASSETS – CAPTION 90

9.1 Intangible assets: breakdown

Captions/Measurement	31.12.2020		31.12.2019	
	Assets carried at cost	Assets measured at fair value	Assets carried at cost	Assets measured at fair value
1. Goodwill	**5,469**	**-**	**5,469**	**-**
2. Other intangible assets	**378**	-	**398**	-
2.1 owned	378		398	
- internally generated				
- other	*378*		*398*	
2.2 . Rights of use acquired with leases				
Total 2	**378**	**-**	**398**	**-**
3. Assets related to finance leases	-	-	-	-
3.1 unredeemed goods				
3.2 assets repossessed following cancellation of the contract				
3.3 other assets				
Total 3	**-**	**-**	**-**	**-**
Total 31.12.2020	**5,847**	**-**		
Total 31.12.2019			**5,867**	**-**

The goodwill refers to the difference between the consideration paid and the fair value of the assets and liabilities, arisen on the merger between BPER Factor S.p.A. and ABF Factoring S.p.A. which took place in 2010.

9.2 Intangible assets: change in the period

			Total
A.	**Opening balance**		**5,867**
B.	**Increases**		**197**
	B.1	Purchases	197
	B.2	Recoveries	
	B.3	Positive changes in fair value:	
		- to shareholders' equity	
		- to income statement	
	B.4	Other changes	
C.	**Decreases**		**217**
	C.1	Sales	
	C.2	Amortisation	217
	C.3	Impairment losses:	
		- to shareholders' equity	
		- to income statement	
	C.4	Decreases in fair value:	
		- to shareholders' equity	
		- to income statement	
	C.5	Other changes	
D.	**Closing balance**		**5,847**

9.3 Intangible assets: other information

Goodwill impairment testing

Impairment testing is performed considering the CGU to be the entire legal entity BPER Factor, which also includes goodwill.

For the purpose of impairment testing, reference was made to value in use, estimated using the discounted cash flow (DCF) valuation method. This method estimates the value in use of an asset by discounting expected cash flows, determined by management on the basis of financial projections for the asset being valued.

Cash flow beyond the last year of the planning period is projected into perpetuity by using an appropriate long-term growth rate "g" to estimate the terminal value.
Free cash flow means distributable cash flow taking account of capital restrictions imposed by the Regulatory Authorities or considered reasonable for the coverage of risk that is typical for the asset in question. Accordingly, future cash flows are identifiable as flows that could potentially be distributed after meeting the minimum constraints for allocation of capital, or DCF in the Excess Capital Method version.

Future cash flows are discounted using a discount rate that reflects the present value of the time value of money and the specific risks associated with an asset. Specifically, discount rates used incorporate current market rates with reference to the risk free rate and risk premium associated with the equity component observed over a sufficiently long time period that reflects different market conditions and economic cycles and the use of an appropriate beta coefficient that takes account of risks.

Estimation of prospective cash flows

The value in use was estimated on the basis of the Excess Capital Method by discounting the prospective financial flows referring to an explicit forecast period of five years up to 2025. The forecasts were prepare considering the latest information about current operations, strategic actions taken and their effects and the latest-available system forecasts prepared prior to the verification date. The projections are founded on reasonable and consistent assumptions that represent the best possible estimate, on the verification date, regarding the change in economic-financial conditions over the coming years. The projections also take account of the probable effects on the economic situation as a result of the COVID-19 pandemic.
The terminal value, being the value for the period beyond that covered by the explicit projections, has been estimated by considering a normalised cash flow generated by income in the last year of the projections, net of physiological capital absorption, and by applying a nominal long-term growth rate ("g") of 1.5%; this "g" rate is substantially in line with expected long-term inflation, thus assuming average real growth of zero.
Distributable cash flows have been calculated assuming a target CET 1 ratio in line with the supervisory provisions and able to maintain a satisfactory level of capitalisation that is consistent with the expected growth in business.

Discount rate

The value in use is based on the discounting of the expected cash flows at an appropriate opportunity cost of capital, estimated in line with the provisions of IAS 36 and the Guidelines relating to the impairment test of goodwill, based on the model of the Capital Asset Pricing Model (CAPM), in formula:

$k_e = R_f + \beta \times (R_m - R_f)$

Key:
Rf = Risk free rate;
(Rm – Rf) = Market Risk Premium;
β = Beta.

CAPM expresses a linear relationship in market equilibrium conditions between the return on an investment and its systematic risk. More specifically, the return on an investment is calculated as the sum of the risk free rate (expression of the time value of money) and the risk premium, the latter corresponding to the product between the Beta of the security and the premium for the overall risk of the market (so-called "Market Risk Premium").
The opportunity cost of capital was estimated here at 9.17%.

Results of impairment testing

Comparison of the recoverable value determined as above with the book value of the CGU (determined as the book value of the Company's equity) tended to confirm the carrying amount of goodwill for BPER Factor .

Sensitivity analysis
It should be noted that the main parameters used in the valuation model, such as financial flows and the opportunity cost of capital, can be influenced, even significantly, by developments in the overall economic framework. The effect that these changes could have on the estimate of the assumed cash flows, as well as on the main financial assumptions considered, could lead to future results substantially different from those used in the verification of the sustainability of goodwill.
For this reason, pursuant to IAS 36, sensitivity analyses were carried out in order to assess the effects produced on the estimates of value in use, and consequently on the results of the impairment test, by changes in the main parameters at the basis of the valuation model.
In particular, the impact on the value in use of a change of some key variables was verified:

- +25bps and +50bps of the "basic" cost of capital (9.17%);
- +50bps and +100bps maximum of the target regulatory minimum requirement in the last year of forecast (2025);
- -25bps and -50bps of the "base" long-term growth "g" rate (1.5%).

CGU	Change in CGU's value in use					
	k_e rate		CET 1 ratio target		"g" rate	
	+25 bps	+50 bps	+50 bps	+100 bps	-25 bps	-50 bps
BPER Factor	-1.6%	-3.1%	-4.0%	-8.1%	-0.5%	-1.0%

Again from a stress test point of view, alternative changes were considered in the opportunity cost of capital and in the normalised cash flow for the last period of the projections (used to estimate the terminal value) until the changes resulted in the CGU's value in use equalling its carrying amount, or, in other words, the threshold value of the main inputs, beyond which impairment testing of the CGU would result in a loss.

CGU	k_e limit rate	Maximum reduction in profit in the period considered and in normalised profit	Maximum change in the normalised flow
BPER Factor	10.74%	-15.0%	-24.0%

This analysis shows that for the BPER Factor CGU the occurrence of a 157 bps increase in the opportunity cost of capital from 9.17% to 10.74%, a 15.0% reduction in profit each year or a 24.0% decrease in the cash flow underlying the terminal value, would bring the recoverable amount into line with the carrying amount.

SECTION 10 – TAX ASSETS AND LIABILITIES – ASSET CAPTION 100 AND LIABILITY CAPTION 60

10.1 "Current and deferred tax assets": breakdown

The Company again elected to be part of the BPER Group Tax Consolidation, which means that its IRES (corporation tax) receivables and payables, with the exclusion of the impact deriving from the surtax, are transferred to the Parent Company and therefore classified as "other assets" or "other liabilities".

10.1.1 Current tax assets

Breakdown of caption 100	31.12.2020	31.12.2019
Tax credit for previous years	120	64
Advance of IRES surcharge	250	400
IRES surcharge for the period	(227)	(250)
Amount of IRES offset	**143**	**214**
IRAP advance	416	716
IRAP for the year	(455)	(467)
IRAP off-set	(39)	249
Total carrying amount	**104**	**463**

10.1.2 Deferred tax assets (through income statement)

Type of addback/taxable income	TOTAL 31.12.2020	TOTAL 31.12.2019
Directors not paid during the year	32	78
Virtual stamp duty	29	-
provision for commitments to grant funding	7	-
Provisions for bonuses for an uncertain amount	244	282
Writedown of equity investments and assets available for sale	55	55
Other non-deductible provisions	1	1
Discounting of provisions for risks and charges		
Writedown of receivables etc. art. 106 (IRES) – 2006	6,181	7,170
Writedown of receivables etc. art. 106 (IRAP) – 2013	2,551	2,960
Provisions for lawsuits	3,635	3,635
Provisions for legal compensation	85	85
Provisions for bankruptcy clawback actions	1,735	500
Step-up of tax basis of goodwill	2,122	2,187
Total taxable income for IRES purposes	**14,126**	**13,993**
Total taxable income for IRAP purposes	**6,493**	**5,732**
IRES tax rate	27.50%	27.50%
IRAP tax rate	5.57%	5.57%
IRES payable	**3,885**	**3,848**
IRAP payable	**362**	**319**
Total deferred tax assets	**4,246**	**4,167**

10.1.3 Deferred tax assets (through shareholders' equity)

Type of addback/taxable income	TOTAL 31.12.2020	TOTAL 31.12.2019
Reserves as per IAS 19	215	224
Total taxable income for IRES purposes	**215**	**224**
Total taxable income for IRAP purposes	**-**	**-**
IRES tax rate	27.50%	27.50%
IRAP tax rate	5.57%	5.57%
IRES payable	**59**	**62**
IRAP payable	**-**	**-**
Total tax payable	**59**	**62**

10.2 "Current and deferred tax liabilities": breakdown

10.2.2 Deferred tax liabilities (through income statement)

Type of addback/taxable income	TOTAL 31.12.2020	TOTAL 31.12.2019
Sep. fin. stats./loan former Emil-Ro Leasing	74	74
Virtual stamp duty		52
Total taxable income for IRES purposes	**74**	**126**
Total taxable income for IRAP purposes	**74**	**74**
IRES tax rate	27.50%	27.50%
IRAP tax rate	5.57%	5.57%
IRES payable	**20**	**35**
IRAP payable	**4**	**4**
Total tax payable	**24**	**39**

10.2.3 Deferred tax liabilities (through shareholders' equity)

Type of addback/taxable income	31.12.2020	31.12.2019
Revaluation of equity investment	27	22
Revaluation of Government Securities	23	14
Total taxable income for IRES purposes	**50**	**36**
Total taxable income for IRAP purposes	**-**	**-**
IRES tax rate	27.50%	27.50%
IRAP tax rate	5.57%	5.57%
IRES payable	**14**	**10**
IRAP payable	**-**	**-**
Total tax payable	**14**	**10**

10.3 Changes in deferred tax assets (through income statement)

	Total 31.12.2020	Total 31.12.2019
1. Opening balance	**4,167**	**4,111**
2. Increases	**663**	**85**
2.1 Deferred tax assets recognised during the year	663	85
a) related to prior years	15	
b) due to changes in accounting policies		
c) writebacks		
d) other	648	85
2.2 New taxes or increases in tax rates		
2.3 Other increases		
3. Decreases	**584**	**29**
3.1 Deferred tax assets cancelled during the year	**584**	**29**
a) reversals	584	29
b) written down as no longer recoverable		
c) changes in accounting policies		
d) other		
3.2 Reduction in tax rates	**-**	**-**
3.3 Other decreases	-	-
a) transformation into tax credits as per Law 214/2011	-	
b) other		
4. Closing balance	**4,246**	**4,167**

10.3.1 Changes in deferred tax assets as per Law 214/2011 (through the income statement)

		Total 31.12.2020	Total 31.12.2019
1.	**Opening balance**	**2,860**	**2,860**
2.	**Increases**		
3.	**Decreases**	**316**	**-**
3.1	Reversals	316	
3.2	Transformation into tax credits		
	a) arising from operating losses		
	b) arising from tax losses		
3.3	Other decreases	-	-
4.	**Closing balance**	**2,544**	**2,860**

10.4 Changes in deferred tax liabilities (through income statement)

	TOTAL 31.12.2020	TOTAL 31.12.2019
1. Opening balance	**39**	**32**
2. Increases	**-**	**14**
2.1 Deferred tax liabilities recognised during the year		14
a) related to prior years		
b) due to changes in accounting policies		
c) other		14
2.2 New taxes or increases in tax rates		
2.3 Other increases		
3. Decreases	**15**	**7**
3.1 Deferred tax liabilities cancelled during the year	15	7
a) reversals	15	7
b) due to changes in accounting policies		
c) other		
3.2 Reduction in tax rates		
3.3 Other decreases		
4. Closing balance	**24**	**39**

10.5 Changes in deferred tax assets (through shareholders' equity)

	TOTAL 31.12.2020	TOTAL 31.12.2019
1. Opening balance	**62**	**71**
2. Increases	**-**	**8**
2.1 Deferred tax assets recognised during the year	-	8
a) related to prior years		
b) due to changes in accounting policies		
c) other		16
2.2 New taxes or increases in tax rates		
2.3 Other increases		
3. Decreases	**3**	**17**
3.1 Deferred tax assets cancelled during the year		
a) reversals	3	17
b) written down as no longer recoverable		
c) due to changes in accounting policies		
d) other		
3.2 Reduction in tax rates		
3.3 Other decreases		
4. Closing balance	**59**	**62**

10.6 Changes in deferred tax liabilities (through shareholders' equity)

	Total at 31.12.2020	Total at 31.12.2019
1. Opening balance	**10**	**5**
2. Increases	**4**	**5**
2.1 Deferred tax liabilities recognised during the year	**4**	**5**
a) related to prior years		
b) due to changes in accounting policies		
c) other	4	5
2.2 New taxes or increases in tax rates		
2.3 Other increases		
3. Decreases	**-**	**-**
3.1 Deferred tax liabilities cancelled during the year		
a) reversals		
b) due to changes in accounting policies		
c) other		
3.2 Reduction in tax rates		
3.3 Other decreases		
4. Closing balance	**14**	**10**

SECTION 12 – OTHER ASSETS – CAPTION 120

12.1 Other assets: breakdown

Breakdown	31.12.2020	31.12.2019
Outstanding items to be received	319	312
Receivable from the Group for tax consolidation	228	1,132
Other debtors	110	108
Virtual stamp duty credits	142	142
Costs in suspense as pertaining to the future	77	164
Suspense accounts	767	204
Invoices to be issued	274	70
Other receivables	153	202
VAT receivable from the Tax Authorities	-	24
Pro-forma invoice pending	-	1
Inail advance	8	10
Guarantee deposits	21	20
Total	**2,099**	**2,389**

LIABILITIES AND SHAREHOLDERS' EQUITY

SECTION 1 – FINANCIAL LIABILITIES MEASURED AT AMORTISED COST – CAPTION 10

1.1 Financial liabilities measured at amortised cost: breakdown by product of payables

Captions	TOTAL 31.12.2020			TOTAL 31.12.2019		
	due to banks	due to financial companies	due to customers	due to banks	due to financial companies	due to customers
1. Loans	**848,694**	**-**	**-**	**878,558**	**-**	**-**
1.1 Repurchase agreements	-	-	-	-	-	-
1.2 Other loans and receivable	848,694			878,558	-	-
2. Lease liabilities			**2,767**	**2,527**	**-**	**1,689**
3. Other payables	**348**	**87**	**12,358**	**391**	**592**	**14,730**
Total	**849,042**	**87**	**15,125**	**881,476**	**592**	**16,419**
Fair value - level 1	-	-	-	-	-	-
Fair value - level 2	-	-	-	-	-	-
Fair value - level 3	***849,042***	***87***	***15,125***	***881,476***	***592***	***16,419***

Financial debts contain almost exclusively amounts due by the Company to banks to finance its business. These mainly consist of bank overdrafts, term loans and bill discounting. The majority of this funding comes from banks of the BPER Group.

Other debts consist of amounts due to assignors for the portion of the consideration that was not settled at the time of the sale of receivables purchased without recourse. They also include the amounts to be paid to customers, which comes from the difference between the amount collected and the amount advanced on the receivables sold.

1.5 Lease liabilities

Time bands	Present value 31.12.2020	Present value 31.12.2019
Up to 3 months	113	129
3 to 12 months	312	379
Between 1 and 5 years	1,397	1,809
Beyond 5 years	944	1899
Total	**2,767**	**4,216**

Lease liabilities relate solely to the operating lease contracts signed by the Company.

SECTION 6 – TAX LIABILITIES – CAPTION 60

See asset section 10.

SECTION 8 – OTHER LIABILITIES – CAPTION 80

8.1 Other liabilities: breakdown

Breakdown	31.12.2020	31.12.2019
Suspense accounts	51,138	51,046
Due to assignors	166	168
Payables from leasing transactions	740	740
Revenues in suspense as pertaining to the future	2,170	1,663
Due to suppliers	666	546
Invoices to be received	840	633
Other liabilities		512
Amounts due to the tax authorities on behalf of customers and personnel	153	139
Due to social security institutions	166	161
Payroll accruals	35	33
Outstanding items to be paid	240	170
Total	**56,314**	**55,811**

The "suspense accounts" of Euro 51,138 thousand relate to payments received from debtors for factoring transactions outstanding. They were posted to the relevant accounts in early days of January 2021.

"Payables from leasing transactions", amounting to Euro 740 thousand, include:

- Euro 5 thousand relating to credit notes to be issued for fee indexing referring to the last quarter of 2019.
- for Euro 735 thousand for an amount due to a guarantor whose guarantee was enforced. It represents the amount guaranteeing the implicit credit at the time that the contract with the customer for the lease of real estate was cancelled. Once the assets have been sold, this amount should cover any loss incurred or, alternatively, it will be returned to the guarantor.

SECTION 9 – PROVISION FOR TERMINATION INDEMNITIES – CAPTION 90

9.1 "Provision for termination indemnities": change during the year

	31.12.2020	31.12.2019
A. Opening balance	**994**	**1,082**
B. Increases	**60**	**101**
B.1 Provisions for the year	60	72
B.2 Other increases		29
C. Decreases	**102**	**189**
C.1 Payments made	93	189
C.2 Other decreases	9	
D. Closing balance	**952**	**994**

9.2 Other information

BPER Factor, through the Parent Company BPER Banca, appointed an actuary to determine the current value of termination indemnities. Under IAS 19, defined-benefit post-employment benefits and other long-term benefits have to be determined by means of the actuarial "Projected Unit Credit Method". According to this method, for each time unit of service an additional unit of benefits is recognised in favour of the employee. Each unit is calculated separately and when added together they constitute the company's final obligation. As required by IAS 19 paragraph 72 et seq., reasonable demographic, economic and financial assumptions are used to determine the average present value of future benefits provided by the company. The current average value is then adjusted according to the employee's period of service at the time of the measurement, compared with the overall period of service that could be accrued in the future. Full application of IAS 19 requires determining the changes in the liability at the measurement date compared with the opening of the accounting provision in accordance with IAS 19. The actuarial valuation of the benefits has therefore required the determination of the following income statement captions: Current Service Cost, Interest Cost and Actuarial(Gains)/Losses.

Principal actuarial assumptions/Percentages	31.12.2020	31.12.2019
Discount rates	0.41%	0.83%
Expected increase in remuneration	1.92%	1.92%
Turnover	2.90%	2.90%
Inflation rate	0.80%	1.20%

In addition to the average data included in the table, the approach taken to identify the principal actuarial assumptions is described below:

- Discount rates: the curve of "Euro Composite AA" rates for prime corporate bonds listed in the Euro market on the measurement date has been used.
- Turnover: time series analysis for the period 2014-2016 of the phenomena giving rise to the terminations and adjustments to take account of any "anomalies" that occurred in the past. The assumptions made about turnover took account of grade, seniority, age and gender.
- Inflation rate: it was calculated at 0.80%;
- Net Interest Cost: this was calculated at a rate that reflected the duration of the liability.

Demographic assumptions.

As regards the demographic bases, the analyses performed on the time series of staff of the Company that forms part of the scope of consolidation focused on monitoring the trend in the following reasons for elimination between 2014 and 2016:

- rate of employee mortality: except for the Section A pension fund, for which use was made of table A62, the ISTAT life table of resident population was used, broken down by age and gender, updated as of 2016;
- rate of employee disability: the tables used for the INPS model to generate "Initial prospects for 2010" were used;
- frequency and amount of advances on termination indemnities: in order to take into account the effects that these advances have on the timing of severance payments and, consequently on the discounting of the Company's liability, a probability table for the release of part of the accrued

volumes was created. The frequency of advance payments and the average percentage of termination indemnities requested as an advance were taken from corporate data;

- probability of retirement, resignation, dismissal: this was taken from corporate data; in particular, a table showing the propensity of departure from the Company was created, based on age and gender. For early retirement, a 100% probability to achieve the pension requirements adjusted for Legislative Decree 4/2019 was used.

Sensitivity analysis

As required by IAS 19 Revised, we carried out a sensitivity analysis on the provision for termination indemnities with respect to the more significant actuarial assumptions to show how the liability would change in relation to possible fluctuations in each of these assumptions. The following table shows how the provision would change in the event of a 50 basis point increase or decrease in the discount and inflation rates compared with the parameters actually used.

Provision for termination indemnities	31.12.2020	+50 bps	-50 bps
	DBO	DBO	DBO
discount rates	952.412	893,496	994,539
inflation rate	952,412	990,975	916,039

In compliance with the requirements of IAS 19 Revised with regard to additional disclosures, an estimate of future cash flows was carried out at 31 December 2020, as shown in the following table:

	1st year	2nd year	3rd year	4th year	5th year
Provision for termination indemnities	**58,750**	**33,135**	**33,539**	**33,975**	**34,425**

SECTION 10 – PROVISIONS FOR RISKS AND CHARGES – CAPTION 100

10.1 Provisions for risks and charges: breakdown

	Description/Amounts	31.12.2020	31.12.2019
1.	Provisions for credit risk relating to financial commitments and guarantees given	**8**	**56**
2.	Provisions for other commitments and other guarantees given	**-**	**-**
3.	Pensions and similar commitments	-	-
4.	Other provisions for risks and charges	14,114	12,936
	4.1 legal and tax disputes	13,870	12,635
	4.2 personnel costs	244	301
	4.3 other	-	-
Total		**14,122**	**12,992**

The content of caption "4 – Other provisions for risks and charges" is illustrated at 10.6

10.2 Provisions for risks and charges: change during the year

	Provisions for other commitments and other guarantees given	Pensions and similar commitments	Other provisions for risks and charges	Total
A. Opening balance	**56**	**-**	**12,936**	**12,992**
B. Increases	**-**	**-**	**1,975**	**1,975**
B.1 Provisions for the year			1,975	1,975
B.2 Changes due to the passage of time				-
B.3 Changes due to amendments in the discount rate	-	-	-	-
B.4 Other changes				-
C. Decreases	**48**	**-**	**797**	**845**
C.1 Use during the year			297	297
C.2 Changes due to amendments in the discount rate				-
C.3 other changes	48	-	500	548
D. Closing balance	**8**	**-**	**14,114**	**14,122**

The "other provisions for risks and charges" column includes the provisions for personnel that cover leaving incentives, employee bonuses and other charges.

10.3 Provisions for credit risk relating to financial commitments and guarantees given

	Provisions for credit risk relating to financial commitments and guarantees given			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
1. Commitments to grant funding	6	1	1	**8**
2. Financial guarantees given	-	-	-	-
Total	**6**	**1**	**1**	**8**

10.4. Provisions for other commitments and other guarantees given

At 31 December 2020 there are no provisions for other commitments and other guarantees given.

10.5 Pensions and similar commitments - defined benefit plans

No pensions and similar commitments - defined benefit plans are present at 31 December 2020.

10.6 Provisions for risks and charges - other provisions

The provisions for legal and tax disputes mainly cover criminal proceedings and disputes for operational irregularities, as well as credit collection cases. More detailed information about the risks associated with legal disputes are provided in Part D: other information of the explanatory notes, in section 3.3 Operational risks – Chapter: Legal Risks.

The provisions for personnel charges cover voluntary leaving incentives, employee bonuses and other charges.

	Description/Amounts	31.12.2020	31.12.2019
4.	Other provisions for risks and charges		
	4.1 legal and tax disputes	13,805	12,635
	- operating irregularities	12,980	12,135
	- Risks for bankruptcy clawback actions	825	500
	4.2 personnel costs	244	301
	- "Long Time" incentives	53	4
	- staff redundancy incentives	-	121
	- other incentives	191	176
	4.3 other	65	-
	- Operational writedowns	65	-
Total		**14,114**	**12,936**

SECTION 11 – SHAREHOLDERS' EQUITY – CAPTIONS 110, 120, 130, 140, 150, 160 AND 170

11.1 Share capital: breakdown

		Types	Amount
1.	**Share capital**		**54,591**
	1.1	Ordinary shares	54,591
	1.2	Other shares	-

On 21 December 2020 the shareholder SACMI IMOLA S.C. sold its entire 3.103% of the share capital to BPER Banca S.p.A.

At 31 December 2020, following the transfer, the share capital of Euro 54,590,910.00= fully paid-in, represented by 5,459,091 ordinary shares with a nominal value of Euro 10.00 each, is held as follows:

- 99.057% **BPER** Banca S.p.A;
- 0.943% **CONAD** Consorzio Nazionale Dettaglianti S.C.

11.4 Share premium reserve: breakdown

The amount of Euro 20,814 thousand relates:

- for Euro 18,672 thousand to the share premium received at the time of the cash increases in capital;

- for Euro 2,142 thousand to the share exchange difference that emerged from the merger of ABF Factoring S.p.A;

11.5 Other information

Breakdown and changes in captions 150/160 "Reserves" and "Valuation reserves"

(in thousands of euro)	Legal reserve	Other reserves	Valuation reserves	Total
A. Opening balance	**3,321**	**49,151**	**(136)**	**52,336**
B. Increases	**261**	**4,948**	**17**	**5,226**
B. 1 Allocation of profit	261	4,948	-	5,209
B.2 Other changes	-	-	*17*	*17*
- financial assets measured at fair value through comprehensive income			10	10
- release				-
- discounting termination indemnities.			7	7
- from FTA IFRS 9				-
C. Decreases	-	-	-	-
C. 1 Uses:	-	-	-	-
- *coverage of losses*				-
- *distribution*				-
- *transfer to share capital*				-
C.2 Other changes	-	-	-	-
- financial assets measured at fair value through comprehensive income				-
discounting termination indemnities				0
D. Closing balance	**3,582**	**54,099**	**(119)**	**57,562**

Analysis on the availability and distribution of shareholders' equity

Nature/description	Amount	Possibility of use	Available portion	Summary of uses in the previous three years	
				To cover losses	For other reasons
Share capital	**54,591**			-	-
Capital reserves:					
Reserve for treasury shares					
Reserve for shares of parent company					
Share premium reserve	20,814	**A, B, C**	20,814		
Bond conversion reserve					
Revenue reserves:					
Legal reserve	3,582	**B**		-	-
Reserve for treasury shares					
- Other reserves	47,146	**A, B, C**	47,146		
- reserve for exchange gains	79	**A, B**	79		
Reserves - other:					
Other	6,875	**A, B, C**	6,875		
Valuation reserves:					
Reserve for actuarial gains (losses)	(156)				
OCI reserves (*)	36				
Total	**132,967**		**74,914**	**-**	**-**
Non-distributable portion	**21,271**				
Residual distributable portion	**53,643**		**53,643**		

Key: ***A*** *to increase capital -* ***B*** *to cover losses -* ***C*** *for distribution to shareholders*

(*) In accordance with Legislative Decree 38/05, art. 6.4

Other information

1. Commitments and financial guarantees given (other than those designated at fair value)

	Nominal amount of commitments and financial guarantees given			Total 31.12.2020	Total 31.12.2019
	Stage 1	Stage 2	Stage 3		
1.Commitments to grant funding					
a) Public administration					
b) Banks					
c) Other financial companies					
d) Non-financial companies	27,246		121	**27,367**	**27,103**
e) Households	44	-	-	**44**	**24**
2. Financial guarantees given					
a) Public administration					
b) Banks					
c) Other financial companies					
d) Non-financial companies					
e) Households					

For factoring transactions arranged without recourse, the stages refer to the originator as the beneficiary of the commitment.

PART C – INFORMATION ON THE INCOME STATEMENT

SECTION 1 – INTEREST – CAPTIONS 10 AND 20

1.1 Interest and similar income: breakdown

Captions/Technical forms	Debt securities	Loans	Other transactions	31.12.2020	31.12.2019
1. Financial assets measured at fair value through profit or loss:					
1.1 Financial assets held for trading					
1.2 Financial assets designated at fair value through profit and loss					
1.3 Other financial assets mandatorily measured at fair value					
2. Financial assets measured at fair value through comprehensive income	**10**			**10**	**10**
3. Financial assets measured at amortised cost:					
3.1 Due from banks		147		**147**	**330**
3.2 Due from financial companies		182		**182**	**117**
3.3 Due from customers		10,626		**10,626**	**10,848**
4. Hedging derivatives					
5. Other assets				**-**	**1**
6. Financial liabilities					
Total	**10**	**10,955**	**-**	**10,965**	**11,306**
of which: interest income on non-performing financial assets		258		258	329
of which: interest income on leases		99		99	123

Interest accrued in the year on positions classified as "non-performing" at the reporting date amount to Euro 258 thousand, of which Euro 223 thousand relates to factoring transactions, while the remainder of Euro 35 thousand relates to lease transactions.

1.2 Interest and similar income: other information

Captions	31.12.2020	31.12.2019
1. Factoring transactions	**9,311**	**9,833**
Ordinary factoring	6,251	6,684
Future receivables	475	525
Discount interest	2,585	2,624
2. Finance lease transactions	**97**	**122**
Interest on leasing	97	122
3. Other transactions	**1,557**	**1,351**
Interest on extended payment terms granted		1
Other loans and receivables	1,547	1,340
Other interest	10	10
Total	**10,965**	**11,306**

1.2.1 Interest income on financial assets in foreign currency

Interest income on financial assets in foreign currency amounted to Euro 272 thousand.

1.3 Interest and similar expense: breakdown

Captions/Technical forms	Payables	Securities	Other	TOTAL 31.12.2020	TOTAL 31.12.2019
Financial liabilities valued at amortised cost					
1.1 Due to banks	(536)			**(536)**	**(1,232)**
1.2 Due to financial companies					
1.3 Due to customers	(26)			**(26)**	**(13)**
1.4 Securities issued					
2. Financial liabilities held for trading					
3. Financial liabilities designated at fair value through profit and loss					
4. Other liabilities					
5. Hedging derivatives					
6. Financial assets					
Total	**(562)**	**-**	**-**	**(562)**	**(1,245)**
of which: interest expense relating to lease payables	(26)			(26)	-27

1.4. Interest and similar expense: other information

1.4.1 Interest expense on foreign currency liabilities

Interest expense on financial liabilities in foreign currency amounted to Euro 96 thousand.

SECTION 2 – COMMISSIONS – CAPTIONS 40 AND 50

2.1 Commission income: breakdown

Details *(in thousands of euro)*	**31.12.2020**	**31.12.2019**
a) lease transactions		
b) factoring	**9,734**	**10,428**
c) consumer credit		
d) guarantees given		
e) services:		
- fund management on behalf of third parties		
- currency brokerage		
- product distribution		
- other		
f) collection and payment services		
g) servicing of securitisation transactions		
h) other commission	**853**	**767**
- administrative charges	313	354
- recovery of preliminary investigation costs	242	176
- recovery of bank and post office charges and other recoveries	298	237
Total	**10,587**	**11,195**

2.2 Commission expense: breakdown

Details/Sectors	31.12.2020	31.12.2019
a) Guarantees received	(166)	(200)
b) Distribution of third-party services		
c) Collection and payment services		
d) Other commissions:	(3,422)	(3,317)
-bank charges	*(80)*	*(75)*
- financial fees	*(13)*	*(9)*
- refactoring commission	*(1,902)*	*(1,989)*
-credit insurance premiums	*(1,427)*	*(1,244)*
Total	**(3,588)**	**(3,517)**

The refactoring (commissions) sub-caption relates to amounts paid to third parties for the referral of factoring transactions.

Section 4 – Net trading income - Caption 80

4.1 Net trading income: breakdown

Caption/Income captions thousands of Euro	Capital gains (A)	Trading profits (B)	Capital losses (C)	Trading losses (D)	Net result [(A+B)-(C+D)]
1. Financial assets held for trading					
1.1 Debt securities					
1.2 Equity instruments					
1.3 UCITS units					
1.4 Loans					
1.5 Other					
2. Financial liabilities held for trading					
2.1 Debt securities					
2.2 Payables					
2.3 Other					
3. Financial assets and liabilities: exchange differences					**(14)**
4. Derivatives					
4.1 Financial derivatives					
4.2 Credit derivatives					
of which: natural hedges associated with the fair value option					
Total	**-**	**-**	**-**	**-**	**(14)**

SECTION 8 – NET IMPAIRMENT ADJUSTMENTS FOR CREDIT RISK – CAPTION 130

8.1 Net impairment adjustments for credit risk on financial assets at amortised cost: breakdown

Transactions/income elements	Impairment losses			Recoveries		31.12.2020	31.12.2019
	Stage 1 and 2	Stage 3		Stage 1 and 2	Stage 3		
		Write-offs	Other				
1. Due from banks	-	-	-	-	-	-	-
Non-performing receivables acquired or							
- for leasing							
- for factoring							
- other receivables							
Other receivables							
- for leasing							
- for factoring							
- other receivables				-			
2. Due from financial companies	-	-	-	-	-	-	-
Non-performing receivables acquired or							
- for leasing							
- for factoring							
- other receivables	(2)						
Other receivables							
- for leasing							
- for factoring							
- other receivables							
3. Due from customers	**- 487**	**- 163**	**- 1,681**	**-**	**1,407**	**- 924**	**(962)**
Non-performing receivables acquired or	-	-	-	-	-	-	-
- for leasing							
- for factoring							
- for consumer credit							
- other receivables							
Other receivables	*(487)*	*(163)*	*(1,681)*	*0*	*1,407*	*(924)*	(962)
- for leasing	(7)		(214)		6	(215)	189
- for factoring	(460)	(163)	(1,395)		1,401	(617)	(1,139)
- for consumer credit							
- Pledged loans							
- other receivables	*(20)*		*(72)*			(92)	
Total	**(487)**	**(163)**	**(1,681)**	**0**	**1,407**	**(924)**	**(962)**

8.1a Net impairment adjustments for credit risk on loans at amortised cost subject to Covid-19 support measures: breakdown

Transactions/income elements	Impairment losses			Recoveries		31.12.2020	31.12.2019
	Stage 1 and 2	Stage 3		Stage 1 and 2	Stage 3		
		Write-offs	Other				
1. Loans subject to forbearance measures consistent with the GL	*2*			*0*		*2*	
2. Loans subject to other forbearance measures							
3 New loans							
Total 31.12.2020	**2**	**0**	**0**	**0**	**0**	**2**	**0**
Total 31.12.2019							

8.2 Net impairment adjustments for credit risk on financial assets measured at fair value through comprehensive income: breakdown

Transactions/income elements	Adjustments (1)			Recoveries (2)		31.12.2020	31.12.2019
	Stage 1 and 2	Stage 3		Stage 1 and 2	Stage 3		
		Write-offs	Other				
A. Debt securities							
B. Loans							
- Due to customers							
- Due to financial companies							
- Due to banks							
Of which: non-performing financial assets acquired or originated							
Total	-	-	-	-	-	-	-

The amount of Euro 47 is not included in the table as it comprises only amounts in thousands of Euro.

SECTION 10 – ADMINISTRATIVE EXPENSES – CAPTION 160

10.1 Payroll costs: breakdown

Type of expense/Amounts	Total 31.12.2020	Total 31.12.2019
1. Employees	**(4,029)**	**(4,110)**
a) wages and salaries	(2,892)	(2,868)
b) social security charges	(794)	(779)
c) termination indemnities		
d) pension expenses		
e) provision for termination indemnities	(60)	(72)
f) provision for post-retirement benefits and similar commitments:		
- defined contribution plans		
- defined benefit plans		
g) payments to external supplementary pension funds:	(188)	(173)
- defined contribution plans	(188)	(173)
- defined benefit plans		
h) other employee benefits	(95)	(218)
2. Other active employees	**(19)**	**(24)**
3. Directors and statutory auditors	**(265)**	**(400)**
4. F Retired personnel		
5. Recovery of cost of employees seconded to other companies	**98**	**3**
6. Reimbursement of cost of employees seconded to the companies	**(912)**	**(466)**
Total	**(5,127)**	**(4,997)**

The "provision for termination indemnities" as per art. 2120 of the Italian Civil Code amounts to 186 thousand euro.

10.2 Average number of employees, by level

	31.12.2020	31.12.2019
Employees	51	50
a) Managers	*3*	*4*
b) Middle Managers	*26*	*25*
c) Other employees	*22*	*21*
Other personnel		
	51	**50**

Number of employees by level.

	31.12.2020	31.12.2019
Employees :	51	50
a) Managers	*3*	*4*
b) Middle Managers	*26*	*25*
c) Other employees	*22*	*21*
Other personnel	-	-
Total	**51**	**50**

The above data includes 2 outward secondments and does not include any inward secondments.

10.3 Other administrative expenses: breakdown

Type of expense/Amounts	31.12.2020	31.12.2019
Direct and indirect taxes	(195)	(221)
Maintenance and repairs	(215)	(203)
Rent and cleaning	(63)	(32)
Condominium expenses	(66)	(53)
Post office and telephone	(311)	(320)
Software and equipment	(48)	(25)
Audit	(41)	(53)
Legal and other consulting	(360)	(416)
Car expenses	(120)	(168)
Promotional and entertainment expenses	(17)	(36)
Insurance	(1)	(1)
Consumables	(28)	(48)
Sundry third-party services	(85)	(74)
Transport	(20)	(16)
Commercial and operational services	(380)	(398)
Outsourced services	(1,325)	(1,287)
Membership fees	(41)	(36)
Sundry other	(266)	(315)
Total	**(3,582)**	**(3,702)**

Pursuant to Article 149-duocecies of the Issuers' Regulation, we have attached a schedule that shows the fees paid to the independent auditors by type of service, net of expenses and VAT.

Type of services	Party providing the service	Recipient	Fees (€/000)
Audit	*Deloitte & Touche S.p.A.*	BPER Factor S.p.A	(27)
Other services			(5)
Total			**(32)**

Other services refer to the English translation of the 2019 financial statements.

SECTION 11 – NET PROVISIONS FOR RISKS AND CHARGES – CAPTION 170

11.1 Net provisions for credit risk relating to commitments to grant funding and financial guarantees given: breakdown

	Adjustments			**Recoveries**		
	Stage 1	**Stage 2**	**Stage 3**	**Stage 1**	**Stage 2**	**Stage 3**
Commitments to grant funding	-	(1)		40	-	9
Financial guarantees given						

The sub-caption of provisions for risks and charges “commitments to grant funds” includes provisions for credit risk in connection with commitments to disburse loans given that these are subject to IFRS 9 impairment rules. In these cases, in principle, the methods for allocating between stages and calculating the LGD are the same as those applied for the financial assets measured at amortised cost.

11.2 Net provisions for other commitments and other financial guarantees given: breakdown

At 31 December 2020 there are no provisions for commitments and other guarantees given.

11.3 Net provisions for other risks and charges: breakdown

Category	31.12.2020	31.12.2019
A. Provisions	**(1,735)**	**0**
1 for legal disputes:	(1,670)	0
- operating irregularities	(845)	0
- bankruptcy clawback actions	(825)	0
2 other:	(65)	0
- operational writedowns	(65)	0
B. Reallocations	**500**	**0**
1 for legal disputes:	500	0
- bankruptcy clawback actions	500	0
Net provision	**(1,235)**	**0**

Net provisions for risks and charges, amounting to Euro 1.2 million, include provision relating to bankruptcy clawback actions and other disputes. The "operational writedowns" subcaption contains the difference between the proposed purchase by the lessee of a rent-to-buy contract and the carrying amount of the asset in the balance sheet. All provisions relate to disputes that arose in 2020, while the reallocation of Euro 0.5 million reflects the closure in 2020, with outcome favourable to the Company, of a previous dispute.

SECTION 12 – NET ADJUSTMENTS TO PROPERTY, PLANT AND EQUIPMENT – CAPTION 180

12.1 Net adjustments to property, plant and equipment: breakdown

Assets/Elements of income	Depreciation (a)	Impairment losses (b)	Recoveries (c)	Net result (a+b-c)
A. Property, plant and equipment				**-**
A.1 Used in operations				
- owned	**(40)**			**(40)**
- rights of use acquired with leases	**(457)**			**(457)**
A.2 Investment property				
- owned				
- rights of use acquired with leases				
A.3 Inventories				
Total	**(497)**	**0**	**0**	**(497)**

SECTION 13 – NET ADJUSTMENTS TO INTANGIBLE ASSETS – CAPTION 190

13.1 Net adjustments to intangible assets: breakdown

Assets/Elements of income	Depreciation (a)	Impairment losses (b)	Recoveries (c)	Net result (a+b-c)
1 Intangible assets other than goodwill	**(217)**			**(217)**
1.1 owned	(217)			(217)
1.2 rights of use acquired with leases				
2 Assets related to finance leases				
3 Assets granted under operating leases				
Total	**(217)**	**-**	**-**	**(217)**

SECTION 14 – OTHER INCOME AND EXPENSES – CAPTION 200

14.1 Other operating expenses: breakdown

14.2 Other operating income: breakdown

Category	31.12.2020	31.12.2019
1. Other operating income	**1,053**	**1,203**
1.1 Recovery of administrative costs	***202***	***176***
Recovery of legal expenses and other charges	95	72
Recovery of postage expenses and stamps	100	94
Other recovery of expenses	-	3
Rental income	7	7
1.2 Sundry claim proceeds	***809***	***1,008***
Insurance claim proceeds relating to receivables without recourse	794	86
Gain on sale of repossessed or unexercised leased assets	15	158
Proceeds from lease agreement penalties		764
1.3 Other income	***42***	***19***
Out-of-period income	16	-
Sundry income	26	19
2. Other operating expenses	**(27)**	**(820)**
2.1 Capital losses and other losses	***0***	***-798***
Loss on sale of repossessed or unexercised leased assets	0	-798
Minusvalenze vendita di beni aziendali	0	0
2.2. Other operating expenses	**-27**	**-22**
Charitable donations	-20	-
Fines and penalties	-2	-1
Out-of-period expense	-	-20
Repairs and maintenance of assets pertaining to terminated lease agreements	-4	0
Other non-recurring operating expenses	-1	-2
Total	**1,027**	**383**

SECTION 19 – INCOME TAXES FROM CONTINUING OPERATIONS – CAPTION 270

19.1 Income taxes from continuing operations: breakdown

		31.12.2020	31.12.2019
1.	Current taxes(-)	(2,235)	(2,430)
2.	Change in prior period income taxes (+/-)	(7)	90
3.	Reduction in current taxes for the year (+)		
3.*bis*	Reduction in current taxes for the year for tax credits as per Law 214/2011 (+)		
4.	Change in deferred tax assets (+/-)	79	57
5.	Change in deferred tax liabilities (+/-)	15	(7)
6	**Income taxes for the year**	**(2,148)**	**(2,290)**

19.2 Reconciliation of the theoretical tax charge with total tax expense

Captions	Ires	Irap	Total
Profit from continuing operations before income taxes	6,879	6,879	
Total theoretical taxable income	**6,879**	**6,879**	
Theoretical tax rate	**27.50%**	**5.57%**	**33.07%**
Theoretical tax charge	1,892	383	2,275
- lower taxation due to income that is not taxable or taxed at a flat rate (decrease)	(763)		(763)
- Higher taxes for non-deductible expenses in the current year	651	72	723
Total current taxes	**1,780**	**455**	**2,235**
Change in prior period income taxes	2	5	7
change in deferred tax assets of prior years	(15)		(15)
Change in deferred tax assets	(36)	(43)	(79)
Change in deferred tax liabilities			0
Total income taxes	**1,731**	**417**	**2,148**

SECTION 21 – INCOME STATEMENT: OTHER INFORMATION

21.1 Breakdown of interest income and commission income

Captions/Counterparty	Interest income			Commission income			Total 31.12.2020	Total 31.12.2019
	Banks	Financial companies	Customers	Banks	Financial companies	Customers		
1. Finance leases	**-**	**-**	**97**	**-**	**-**	**-**	**97**	**122**
- properties			72				72	90
- moveable goods							-	
- capital goods			25				25	32
- intangible assets							-	
2. Factoring	**147**	**162**	**10,512**	**-**	**-**	**10,586**	**21,407**	**22,269**
- current receivables	-	115	7,012	-		7,130	14,257	*16,191*
- future receivables	-	-	475			657	1,132	*1,779*
- receivables purchased outright	147	47	1,481			1,150	2,825	*2,622*
- receivables purchased below their original value	-	-	-				-	
- other loans	-	-	1,544		-	1,649	3,193	*1,680*
3. Consumer credit	**-**	**-**	**-**	**-**	**-**	**-**	-	-
- personal loans							-	
- specific-purpose loans							-	
- salary assignment							-	
4. Pledged loans							**-**	-
5. Guarantees and							**-**	-
- trade							-	
- financial							-	
Total	**147**	**162**	**10,609**	**-**	**-**	**10,586**	**21,504**	**22,391**

Total interest income comprises solely amounts relating to the specific subcaptions and, therefore, excludes all other forms of interest income.

21.2 Other information

The above table does not include interest and similar income relating to: deposits on bank current accounts and government securities not falling into the categories indicated.

PART D – OTHER INFORMATION

SECTION 1 – SPECIFIC REFERENCE TO THE COMPANY'S OPERATIONS

A. LEASES (LESSOR)

Qualitative information

Lease contracts in which BPER Factor acts as the lessor have been classified as finance or operating leases.
Finance leases are those that substantially transfer all of the risks and rewards deriving from ownership of the asset to the lessee.

The substantial and financial reality of these contracts is that the lessee acquires the economic benefits deriving from use of the leased asset for most of its economic life, against a commitment to pay the lessor a fee that approximates the fair value of the asset and related financial charges.

Recognition in the lessor's financial statements therefore takes place as follows:

- to assets, the value of the credit disbursed, net of the principal portion of the lease instalments matured and paid by the lessee;
- in the income statement, interest income.

Operating lease contracts do not transfer substantially all of the risks and rewards deriving from ownership of the asset to the lessee, which remain with the lessor.
In the case of operating leases, the lessor records the lease instalments in the income statement on an accrual basis.

Please refer to Part A – Accounting Policies of the notes for further details.

The credit risk to which the Company is exposed in the finance lease business due to the legal structure of transactions is reduced by the maintenance of ownership of the asset until the lessee redeems it. This circumstance is particularly significant especially in real estate leases and those involving high-use assets. Furthermore, in order to cope with the risk of losses more effectively and if required by the preliminary investigation report, BPER Factor could ask customers for additional guarantees, whether secured (mainly a pledge on securities) or unsecured (personal or bank guarantees). There are also specific guarantees in finance leases, such as the commitment to take over or the commitment to repurchase (sometimes by the suppliers of the assets).

Quantitative information

A.1 - balance sheet and income statement information

Lease loans: please refer to the notes: Part B – Assets, table 4.1 Financial assets measured at amortised cost: breakdown by product of amounts due from banks; 4.2 Financial assets measured at amortised cost: breakdown by product of receivables from financial companies and table 4.3 Financial assets measured at amortised cost: breakdown by product of receivables from customers.

Interest income on lease loans: please refer to the notes: Part C - Income Statement, table 1.1 Interest income and similar income: breakdown.

Other income from operating leases: please refer to the notes: Part C - Income Statement, table 14.2 Other operating income: breakdown.

A.2 – Finance leases

A.2.1 Classification by time bands of payments to be received and non-performing exposures. Reconciliation of payments to be received with lease loans shown under assets.

Time bands	Total 31.12.2020			Total 31.12.2019		
	Lease payments to be received		Total lease payments to be received	Lease payments to be received		Total lease payments to be received
	Non-performing exposures	Performing exposures		Non-performing exposures	Performing exposures	
Up to 1 year	86	173	259	-	235	235
Between 1 and 2 years	6,694	396	7,091	9,824	316	10,140
Between 2 and 3 years	85	187	272	-	267	267
Between 3 and 4 years	85	187	272	-	180	180
Between 4 and 5 years	85	187	272	-	180	180
Beyond 5 years	349	574	922	-	605	605
Total lease payments to be received	7,384	1,704	9,088	9,824	1,783	11,607
RECONCILIATION						
Unrealised financial gains (-)	(153)	(350)	(503)	(189)	(343)	(532)
Residual value not guaranteed (-)	0	0	0	0	0	0
LEASE LOANS	**7,231**	**1,354**	**8,585**	**9,635**	**1,440**	**11,075**

A.2.2 Classification of finance leases by quality and type of leased asset

	Lease loans			
	Performing loans		Non-performing loans	
	Total 31.12.2020	Total 31.12.2019	Total 31.12.2020	Total 31.12.2019
A. Properties:	1,072	1,090	4,358	4,440
- Land	-	-		
- Buildings	1,072	1,090	4,358	4,440
B. Capital goods	298	343	167	297
C. Moveable goods:	-	-	-	-
- Motor vehicles				
- Planes, boats and trains	-	-	-	-
- Other			-	-
D. Intangible assets:	-	-	-	-
- Trademarks	-	-	-	-
- Software	-	-	-	-
- Other	-	-	-	-
Total	**1,370**	**1,433**	**4,525**	**4,737**

A.2.3 Classification of assets related to finance leases

	Unredeemed goods		Assets repossessed following cancellation of the contract		Other assets	
	Total 31.12.2020	Total 31.12.2019	Total 31.12.2020	Total 31.12.2019	Total 31.12.2020	Total 31.12.2019
A. Properties:	-	-	6,609	6,515	1,387	1,452
- Land	-	-	-	-	-	-
- Buildings	-	-	6,609	6,515	1,387	1,452
B. Capital goods	-	-	94	33	589	652
C. Moveable goods:	-	-	-	-	-	-
- Motor vehicles	-	-	-	-	-	-
- Planes, boats and trains	-	-	-	-	-	-
- Other	-	-	-	-	-	-
D. Intangible assets:	-	-	-	-	-	-
- Trademarks	-	-	-	-	-	-
- Software	-	-	-	-	-	-
- Other	-	-	-	-	-	-
Total	**-**	**-**	**6,703**	**6,548**	**1,976**	**2,104**

Assets repossessed as a result of interruption of the contract are not included in property, plant and equipment, due to the fact that a negotiated settlement that envisages complete closure of the customer's obligations in exchange for restitution of the assets and payment of an indemnity has not yet been finalised.

A.2.4 – Other information

The Company has for some years decided to leave the finance lease business, so its mission is now oriented exclusively to collecting payment of the loan on performing receivables and selling the assets involved in contracts that have been terminated.

A.3 – Operating leases

The Company is party to 1 rent-to-buy contract relating to a plot of land. In 2020 the user proposed to buy it and the Company accepted. The sale contract will be formalised in 2021. The Company does not have any other operating leases.

B. FACTORING AND ASSIGNMENT OF RECEIVABLES

B.1 Gross value and carrying amounts

B.1.1 Factoring

Caption/Amounts	TOTAL 31.12.2020			TOTAL 31.12.2019		
	Gross value	Impairment losses	Net value	Gross value	Impairment losses	Net value
1. Performing	**1.039.148**	**2.560**	**1.036.588**	**1.068.355**	**2.100**	**1.066.255**
exposure to assignors (with recourse):	577.512	1.581	575.931	539.696	1.150	538.546
- assignment of future receivables	77.421	475	76.946	53.426	317	53.109
- other	500.091	1.106	498.985	486.270	833	485.437
exposures to assigned debtors (without recourse):	461.636	979	460.657	528.659	950	527.709
2. Non-performing	**14.438**	**10.574**	**3.864**	**19.022**	**11.463**	**7.559**
2.1 Doubtful receivables	**10.786**	**9.982**	**804**	**13.579**	**10.823**	**2.756**
exposure to assignors (with recourse):	5.072	4.335	737	8.655	5.985	2.670
- assignment of future receivables	-	-	-	-	-	-
- other	5.072	4.335	737	8.655	5.985	2.670
exposures to assigned debtors (without recourse):	5.714	5.647	67	4.924	4.838	86
- purchases below nominal amount	-	-	-	-	-	-
- other	5.714	5.647	67	4.924	4.838	86
2.2 Unlikely to pay receivables	**2.867**	**546**	**2.321**	**4.547**	**588**	**3.959**
exposure to assignors (with recourse):	2.824	503	2.321	4.476	543	3.933
- assignment of future receivables	-	-	-	-	-	-
- other	2.824	503	2.321	4.476	543	3.933
exposures to assigned debtors (without recourse):	43	43	-	71	45	26
- purchases below nominal amount			-			-
- other	43	43	-	71	45	26
2.3 Non-performing past due receivables	**785**	**46**	**739**	**896**	**52**	**844**
exposure to assignors (with recourse):	269	16	253	789	46	743
- assignment of future receivables	-	-	-	-	-	-
- other	269	16	253	789	46	743
exposures to assigned debtors (without recourse):	516	30	486	107	6	101
- purchases below nominal amount	-	-	-	-	-	-
- other	516	30	486	107	6	101
Total	**1.053.586**	**13.134**	**1.040.452**	**1.087.377**	**13.563**	**1.073.814**

B.2 Breakdown by residual life

B.2.1 Factoring with recourse: advances and total receivables

Time bands	Advances		Total receivables	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
- on demand	130,283	87,239	166,611	177,389
- up to 3 months	333,784	351,277	437,852	431,125
- between 3 and 6 months	73,791	68,064	104,379	124,807
- between six and twelve months	30,606	15,187	30,863	33,872
- beyond 1 year	10,778	24,125	17,368	16,012
- unspecified duration			24,618	29,598
Total	**579,242**	**545,892**	**781,691**	**812,803**

This table does not include assignments other than those considered in Law 52/91, for receivables totalling Euro 469 million.

B.2.2 Factoring without recourse: exposures

Time bands	Exposures	
	31.12.2020	31.12.2019
- on demand	40,692	54,307
- up to 3 months	304,621	289,331
- between 3 and 6 months	61,994	153,875
- between six and twelve months	35,135	16,298
- beyond 1 year	18,767	14,111
- unspecified duration	-	-
Total	**461,209**	**527,922**

The margin between the credit limit granted to customers and the amount of receivables factored with recourse at 31 December 2020 amounts to Euro 933,711 thousand.

B.3 Other information

B.3.1 Turnover of factoring receivables

Captions	TOTAL 31.12.2020	TOTAL 31.12.2019
1. Transactions without recourse	**1,914,470**	**1,510,672**
of which: purchased below nominal amount		-
2. Transactions with recourse	**2,717,776**	**2,760,432**
Total	**4,632,246**	**4,271,104**

The amount differs from that indicated in the report, as this table does not include the turnover relating to "formal" factoring without recourse.

B.3.3 Nominal amount of contracts for the purchase of future receivables

Captions	31.12.2020	31.12.2019
Flow of contracts for the purchase of future receivables during the year	72,107	139,169
Amount of contracts outstanding at the period end	157,110	160,965
Total	**229,217**	**300,134**

D. GUARANTEES GIVEN AND COMMITMENTS

D.1 Value of secured or unsecured guarantees given and commitments

		Transactions	31.12.2020	31.12.2019
1)	**Financial guarantees given payable on first request**		**-**	**-**
	a)	Banks	-	-
	b)	Financial companies	-	-
	c)	Customers		
2)	**Financial guarantees given**			
	a)	Banks		
	b)	Financial companies		
	c)	Customers		
3)	**Commercial guarantees given**		**-**	**-**
	a)	Banks	-	-
	b)	Financial companies	-	-
	c)	Customers		
4)	**Irrevocable commitments to grant funding**		**27,411**	**27,127**
	a)	Banks	-	-
		i) of certain use	-	-
		ii) of uncertain use		
	b)	Financial companies	-	-
		i) of certain use		
		ii) of uncertain use		
	a)	Customers	*27,411*	*27,127*
		i) of certain use		
		ii) of uncertain use	27,411	27,127
5)	**Commitments underlying credit derivatives: protection sale**		**-**	**-**
6)	**Assets pledged to guarantee the commitments of third parties**		**-**	**-**
7)	**Other irrevocable commitments**		**-**	**-**
	a)	to give guarantees	-	-
	b)	other	-	-
		Total (A+B+C+D+E)	**27,411**	**27,127**

SECTION 3 – INFORMATION ON RISKS AND HEDGING POLICIES

Information is provided in this section on the risk profiles indicated below and the risk management and hedging policy in place. Some of the information provided in this section is based on internal management accounting figures and, accordingly, may not coincide with those reported in Parts B and C of these financial statements.

CREDIT RISK

QUALITATIVE INFORMATION

1. GENERAL ASPECTS

1.1 Changes to the system of monitoring connected with the Covid-19 crisis and related support measures

Consistent with the expectations expressed by the European and Italian supervisory authorities, since the start of the crisis caused by the Covid-19 pandemic, the BPER Group has identified the need to monitor and assess carefully those counterparties that have benefited from the support measures made available under governmental decrees and internal initiatives (under the law and voluntary). The granting of payment moratoria has, in fact, made it difficult for the principal monitoring systems to identify certain anomalies and triggers that would signal possible difficulties or deterioration in the position of counterparties. As it was impossible to revise rapidly the applications, certain operational measures have been adopted to identify possible future customer difficulties, with a view to continuing the provision of active support for counterparties faced with temporary problems linked to the consequences of Covid-19.

The Company in fact monitors carefully the customers granted deferrals in order to identify any elements suggesting a significant increase in credit risk.

This work includes assessment of the significant increase in credit risk and, in particular, the concession of forbearance measures, in compliance with current regulations and the reminders issued by the European Supervisory Authorities.

For more information on the changes implemented as a result of Covid-19, please refer to paragraph "Accounting estimates - Overlay approach applied in the assessment of credit risk" in Part A of the explanatory notes.

1.2 The factoring business

Factoring is now the only product on the financial market that, as part of a single relationship, can offer a variety of services to respond efficiently to the needs of companies in terms of management, insurance and financing of receivables.

Factoring is therefore not an alternative to bank loans, but has a financial component that can be used to supplement other sources of borrowing available to the company.

In view of this, the credit risk assumed by the factor only has a few features in common with the traditional credit risk from lending typical of banking operations.

When the factor makes an advance on receivables that are not yet due, the financial intermediary is exposed for an amount equal to the agreed advance, which generally does not exceed a certain percentage of the total receivables acquired.

The insolvency guarantee protects the assignor against default by the debtor, except in those cases explicitly regulated in the factoring contract: apart from some specific products, in the absence of advance, the factor is obliged to pay the amount of assigned receivables after a certain number of days from when the receivables become collectible. Unless the assigned receivables were purchased outright or in advance, this service gives the factor an endorsement exposure equal to the revolving credit limit within which the factor has undertaken to guarantee payment of the receivables to the assignor. In order to mitigate the risk that it has assumed, the factor can negotiate specific technical clauses that restrict the extent of the guarantee.

As regards the leasing business, the Company will operate exclusively in risk management for the existing contracts; no attempt will be made to expand the business.

2. CREDIT RISK MANAGEMENT POLICIES

2.1 Organisational aspects

The provision of financing and guarantee services means that the factor is exposed to credit risk; if the factor only provides a management service, there is no exposure to risk.

Generally speaking, when the factor provides a financing and/or guarantee service, the possibility of incurring a loss depends primarily on a deterioration in the creditworthiness of the counterparties, in other words the risk of non-payment by the assigned debtor (whether the assignment is with or without recourse) or the risk of non-repayment of the amounts advanced on the part of the assignor in the case of a transaction with recourse.

When a bank makes a loan to a borrower, default is brought about by a temporary or permanent inability to pay. Unlike traditional bank exposures, the factor provides its services in the context of a pre-existing business relationship; there is a possible risk of dilution in the event that the debtor refuses to pay (or makes partial payments), considering various situations that could affect the underlying relationship between supplier and customer. For example, they might include offsetting balances, allowances, disputes concerning the quality of the goods and promotional discounts.

The Company has drawn up its own credit policy, which defines the basic rules that allow it to develop the credit business, at the same time creating the conditions that enable the managers to operate while limiting the risk.

On assumption of the assignor and debtor risks, the credit risk is analysed and assessed by the competent departments of the Company. During operations, it is monitored by the Credit Management Department by means of risk reviews of without-recourse credit limits and assignor credit risk positions.

2.2 Systems for managing, measuring and monitoring

Having defined credit risk as the possibility that an unexpected change in the creditworthiness of a counterparty with which there is an exposure could generate a corresponding decrease in the value of the credit position, the Company uses the simplified standardised approach for measurement purposes.

This risk differs according to the type of credit assignment. In sales without recourse, there is the risk of default on the part of the assigned debtor.

In the case of assignment with recourse, in the first instance the risk is that of the assigned debtor and in case of non-payment, there is a risk of default by the assignor.

The credit acquired with recourse is protected by the possibility of a double appeal against both the assignor and the debtor. The original credit quality risk is also monitored by notifying the debtor that the receivable has been assigned.

Appreciation of the risk associated with loans to customers is related to internal records on the status of each position, as defined in the Bank of Italy's instructions (Circ. 217 of 5 August 1996).

Risk management techniques considered appropriate to the products that the Company offers have been implemented, and thanks to the experience gained over the years, management is of the opinion that the Company has adequate tools to monitor credit risk properly: such monitoring includes first-level controls, carried out by the staff of the units responsible for the timely reporting to the Area Manager of all anomalies detected by the performance controls, as well as second-level controls. The analysis and evaluation of the checks carried out by the units on the management of the financing given to customers is carried out systematically by the Area Managers using, to this end, a series of reports produced by the information system.

An analysis of interest rate risk, implemented according to the procedures laid down in the ICAAP Directive, confirms that the Company is in line with the limits laid down by the Supervisory Authority.

The measurement of the credit risk on financing granted to customers is carried out with an analytical assessment of receivables showing anomalies (i.e. those that are non-performing), whereas a collective assessment is made for the rest of the receivables as required by the legislation.

Methods for measuring expected losses

The ECL model for calculating expected credit losses is based on the risk parameters estimated for regulatory purposes, appropriately modified to ensure that they fully comply with IFRS 9. The changes concerned the following aspects:

- introduction of "point-in-time" elements in the regulatory parameters estimated according to through-the-cycle logic;
- implementation of components based on forecast information (scenario analysis);
- extension of the time horizon of the credit risk parameters (long-term).

Further details are provided below on the methods by which the Group determined the IFRS 9 risk parameters.

Estimate of the PD parameter

The characteristics of the rating models developed by the Parent Company for the calculation of PD (Probability of default: i.e. the probability that the borrower will not be able to meet their commitments) depend on the risk segment to which the counterparty belongs, the amount of the exposure and the stage in the lending process at which they are applied (initial pay-out or monitoring). The classifications are represented by 13 classes of merit differentiated by risk segment. [2] All of the Parent Company's systems share a number of common characteristics:

- the rating is determined with reference to the specific counterparty;
- the rating systems are established with reference to the loan portfolio of the BPER Banca group (the rating is unique for each counterparty, even if shared by several banks in the Group);
- the models process internal performance information derived from reports issued by the central risk database, as well as financial information in the case of businesses;
- the models for Corporate SMEs, Long-term Property SMEs, Holding Companies, Financial Companies and Large Corporates add a qualitative element to the purely statistical side. The rating allocation process for these segments also allows the account manager to activate an override process i.e. to request an exception to the quantitative rating based on true and documented information not processed by the model. The requested exception is evaluated by a central function that operates at Group level;
- to support risk analysis in the Large Corporate, Holding and Financial Companies segment, another component was added to the model to take into account whether counterparties belong to a group;
- the Probability of Default is calibrated with reference to regulatory anomalies, which include past due amounts;
- the time series used in order to develop and calibrate the models cover a broad time horizon, consistent with the requirements of current regulations;
- the ratings are analysed and reviewed at least once each year; the Bank has also defined a process for the monitoring of each rating, causing the rating to lapse if it no longer represents the true risk profile of the counterparty and there are signs of deterioration in the quality of the related lending;
- use is made of a rating calculation model for counterparties acting as guarantors for individuals, aimed at the quantification and measurement of credit risk attributable to private counterparties that provide personal guarantees to BPER Banca Group customers.

Determination of the final rating depends on the type of counterparty. In particular, the rating allocation process involves a level of investigation that is proportional to the complexity/scale of the counterparty under review: a more complex and sophisticated structure is foreseen for medium-large businesses (Corporate SMEs, Long-term Property SMEs, Holding Companies, Financial Companies and Large Corporates), which are fewer but with larger average exposures, while there is a simpler structure for Retail customers (Retail SMEs, Individuals and Small Businesses), which are more numerous, but with lower exposures.

The introduction of a Lifetime Expected Loss model implies the need to estimate the probability of default not only in the twelve months following the reporting date, but also in subsequent years.

For this purpose, multi-year PD dynamics accumulated by rating class based on the product among the matrices of Point-in-Time (PIT) migrations conditioned to the expected economic cycle were defined for each model of the internal rating system.

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[2] 9 classes of merit for the Large Corporate segment

More specifically, the cumulative PD curves are determined, for the first three years from the reporting date, by multiplying future PIT matrices derived from the conditioning of PIT matrices, according to the application of satellite models, to different weighted macro-economic scenarios with the relative probabilities of occurrence. From the fourth year onwards, long-term matrices TTC (through-the-cycle) are used, obtained as the average of historical PIT migration matrices.

Estimate of the LGD parameter

The estimate of the LGD (Loss Given Default: which represents the expected rate of loss on default of the borrower, differentiated by type of exposure) is based on information about the product (factoring) and the presence, type and degree of coverage of any guarantees.

EAD Estimate

The concept of exposure (EAD) considered in the various future payment moments is based on the residual debt, increased by any unpaid/overdue instalments.

With reference to off-balance sheet exposures (guarantees and margins), EAD is determined by applying a credit conversion factor (CCF) to the nominal amount of the exposure.

IFRS 9 ECL estimation methodology: scenario update frequency

For IFRS 9 purposes, the Group has decided to update the macroeconomic scenarios every six months in order to guarantee greater consistency between forward-looking macroeconomic scenario and the projected lifetime ECL.

The updates are made on 30 June and 31 December each year. This decision was motivated by the following considerations:

- macroeconomic scenarios updated at the two key moments during the year;
- consistency with the date on which the principal business processes that use macroeconomic scenarios are updated.

More information about the scenarios adopted in order to determine the expected loss 31 December 2020 can be found above, in the Part A section entitled “Accounting estimates – Overlay approach applied to the assessment of credit risk”.

2.3 Credit risk mitigation techniques

BPER Factor's main risk mitigation technique and strategic option, which has been confirmed in the long-term plan, is to cover the risk on receivables acquired without recourse by means of reinsurance with a primary operator; this even in the presence of a margin reduction due to the cost of the reinsurance service and to the fact that receivables are more finely selected for insurance purposes.

The contractual rules in the case of insuring against assignor credit risk and subsequent actions are defined in terms that are a mirror-image of what is agreed with the reinsurance company.

The action taken by the offices involved ensures constant control over risks by constantly monitoring the debtors.

The validity of the credit management and control procedures in place at the Company and the processes for granting funds, which are governed by the internal regulations mentioned previously, as approved by the Board of Directors, are confirmed by the proportion of doubtful receivables and/or credit losses which continue to be very low and well below the industry average.

With regard to finance leases, the credit risk is mitigated by ownership of the asset until such time that the user exercises the bargain purchase option. The properties under finance leases are valued at least once a year by independent expert appraisers.

3. NON-PERFORMING CREDIT EXPOSURES

For Bper Factor S.p.A., definitions of the various categories of "non-performing" receivables (doubtful unlikely to pay, past due receivables) coincide with the definitions issued by the Bank of Italy. The Supervisory Authority's instructions are supplemented by internal provisions that establish the criteria and automatic rules for the transfer of loans or receivables to the various risk categories.

To summarise:

Doubtful receivables – the entire outstanding exposure with entities that are in a serious and non-transitory situation of insolvency and/or subjected to judicial procedures is classified under "doubtful receivables".

In particular, the following are classified as doubtful:

a) those in a state of "judicially established insolvency", identifying this situation with those of an arrangement with creditors, bankruptcy, compulsory liquidation and extraordinary administration (except as provided in paragraph below);

b) those, even if not in a state of judicially established insolvency, that are in a serious and non-transitory situation of insolvency, including customers already classified as unlikely to pay for whom the requirements for classification as unlikely to pay no longer apply because of an aggravation or deterioration of the risk (repayment plans not met, etc.);

c) local entities in a state of financial distress.

Unlikely to pay – classification in this category is primarily the result of judgement applied by a company as to the improbability that, without recourse to actions such as the enforcement of collateral, the debtor fully fulfils his credit obligations. This assessment is made regardless of whether there are any past due amounts.

Past due non-performing exposure - exposures other than those classified as doubtful or unlikely to pay, which, at the reporting date, are past due. Past due exposures may be determined at individual debtor level or, alternatively, at individual transaction level.

a) individual debtor: the exposure needs to have been past due on a continuous basis; for the purpose of verifying the continuity of the past due exposure in connection with factoring transactions, a distinction is made between:

With recourse transactions: the exposure is deemed to be past due solely if both of the following conditions are met:

Advance equal to or higher than the total receivables due to expire;

There is at least one invoice that has been outstanding (past due) for more than 90 days and total past due invoices (including those under 90 days) exceed 5% of total receivables.

Without recourse transactions: for each assigned debtor, reference should be made to the oldest past due invoice.

b) individual transaction: the exposure is deemed to be past due solely if the condition regarding continuity has been met, without the application of any materiality threshold (i.e. the entire transaction has to be considered past due regardless of the amount of the past due exposure).

The Company adopts the individual transaction approach.

With respect to exposures, which for supervisory purposes are classified as "central administrations and central banks", "regional administrations or local authorities" and "public entities" for the purpose of the calculation of capital requirements for credit risk - standardised method, for intermediaries that adopt both IRB and standardised methodology, the continuous nature of the past due exposure, solely for past due non-performing exposures, ceases to be when the debtor has settled at least one of the positions that have been past due for more than 90 days, or where there are legal provisions that temporarily block the collection of receivables from a debtor and for as long as the provisions remain effective. In this case, the entire past due exposure is classified as "past due non-performing".

4. FINANCIAL ASSETS SUBJECT TO COMMERCIAL RENEGOTIATION AND FORBORNE EXPOSURES

In October 2013 the EBA released its "EBA FINAL draft Implementing Technical Standards" relating to the definition of non-performing exposures and forbearance. The document was approved by the Commission on 9 January 2015 and published on the Official Journal of the European Union on 20 February 2015 with Regulation 227/2015.

Forbearance measures (concessions) are the modification of the terms and conditions of a contract, granted to a counterparty in financial difficulties that could have negative effects on its ability to meet its originally assumed contractual commitments and that would not have been granted to another borrower with a similar risk profile not in financial difficulties.

Concessions are to be identified at the level of each forborne exposure and may relate to exposures to borrowers classified as both performing and non-performing.

In all cases, when contractual amendments are made to financial assets recorded in the financial statements, BPER Factor per recognises those assets as forborne exposures if related financial difficulties have already been identified. As stated by the EBA in the "Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the Covid-19 crisis" dated 4 April 2020, moratoria granted to customers pursuant to the law, are not considered indicators of financial difficulty for the purpose of classifying the individual positions concerned as forborne exposures. The voluntary moratoria, granted to customers on the initiative of the Company, were agreed following requests made by them and mainly involved extending the due dates of assigned receivables.

Given that these voluntary moratoria are not granted for the specific purpose of assisting situations of financial difficulty, they are not classified as forborne exposures either.

Forborne exposures do not form a separate category of non-performing exposures, but are considered to be an attribute of the foregoing credit categories.
With regard to with recourse factoring transactions, the concession and the status of financial difficulty should be with reference to an assignor, whereas, for without recourse transactions, reference should be made to the assigned debtor.

QUANTITATIVE INFORMATION

1. Financial assets by portfolio and credit quality (carrying value)

Portfolio/Quality	Doubtful	Unlikely to pay loans	Past due doubtful loans	Past due unimpaired loans	Other performing exposures	Total
1. Financial assets measured at amortised cost	5,331	2,322	739	64,200	983,132	1,055,724
2. Financial assets measured at fair value through comprehensive income					1,631	1,631
3. Financial assets designated at fair value through profit and loss						-
4 Other financial assets mandatorily measured at fair value						-
5. Financial assets being sold						-
Total 31.12.2020	**5,331**	**2,322**	**739**	**64,200**	**984,763**	**1,057,355**
Total 31.12.2019	**7,647**	**4,003**	**844**	**54,432**	**1,016,418**	**1,083,344**

2. Financial assets by portfolio and credit quality (gross and net amounts)

Portfolio/Quality	Non-performing				Performing			
	Gross exposure	Total impairment adjustments	Net exposure	Total partial write-offs *	Gross exposure	Total impairment adjustments	Net exposure	Total (net exposure)
1. Financial assets measured at amortised cost	24,445	16,053	8,392	3,033	1,049,937	2,605	1,047,332	1,055,724
2. Financial assets measured at fair value through comprehensive income					1,677	1	1,676	1,676
3. Financial assets designated at fair value through profit and loss			-				-	
4 Other financial assets mandatorily measured at fair value			-				-	
5. Financial assets being sold			-				-	
Total 31.12.2020	**24,445**	**16,053**	**8,392**	**3,033**	**1,051,614**	**2,606**	**1,049,008**	**1,057,400**
Total 31.12.2019	**29,109**	**16,615**	**12,494**	**3,033**	**1,072,968**	**2,118**	**1,070,850**	**1,083,344**

** Amount to be shown for disclosure purposes*

Performing exposures have not been renegotiated under collective agreements.

3 Distribution of financial assets by past due bands (carrying amounts)

Portfolios/stages of risk	Stage 1			Stage 2			Stage 3		
	1 to 30 days	30 to 90 days	Beyond 90 days	1 to 30 days	30 to 90 days	Beyond 90 days	1 to 30 days	30 to 90 days	Beyond 90 days
1. Financial assets measured at amortised cost 2. Financial assets measured at fair value through comprehensive income 3. Financial assets being sold	34,952	10,148	18,937	67	59	37	-	14	6,230
Total 31.12.2020	**34,952**	**10,148**	**18,937**	**67**	**59**	**37**	**-**	**14**	**6,230**
Total 31.12.2019	**23,204**	**8,888**	**17,387**	**681**	**713**	**3,558**	**-**	**569**	**10,392**

4 Financial assets, commitments to grant funding and financial guarantees given: trend of total adjustments and total provisions

Captions/stages of risk	Total impairment adjustments															Of which: non-performing or originated financial assets	Total provisions on commitments to grant funding and financial guarantees given			Total
	Assets included in Stage 1					Assets included in the Stage 2					Assets included in Stage 3									
	Financial assets measured at amortised cost	Financial assets measured at fair value through comprehensive income	Financial assets being sold	of which: individual writedowns	of which: collective writedowns	Financial assets measured at amortised cost	Financial assets measured at fair value through comprehensive income	Financial assets being sold	of which: individual writedowns	of which: collective writedowns	Financial assets measured at amortised cost	Financial assets measured at fair value through comprehensive income	Financial assets being sold	of which: individual writedowns	of which: collective writedowns		Stage 1	Stage 2	Stage 3	
Total opening adjustments	**1,788**	**1**			**1,788**	**329**				**329**	**16,615**			**16,563**	**52**		**46**		**9**	**18,788**
Increases from financial assets acquired or originated																				0
Derecognitions other than write-offs																				0
Net impairment adjustments for credit risk (+/-)	254				254	234				234	290			411	(121)		(40)	1	(8)	731
Contract changes without derecognitions																				0
Changes in estimation method																				0
Write-offs not recognised directly to the income statement											(852)			(852)						(852)
Other changes																				0
Total closing adjustments	**2,042**	**1**		**0**	**2,042**	**563**	**0**		**0**	**563**	**16,053**	**0**		**16,122**	**(69)**	**0**	**6**	**1**	**1**	**18,667**
Recoveries from collection of financial assets subject to write-off											(17)			(17)						(17)
Write-offs recognised directly to the income statement											163			163						163

5 Financial assets, commitments to grant funding and financial guarantees given: transfers between the different stages of credit risk (gross and nominal amounts)

Portfolios/stages of risk	Gross amounts/nominal value					
	Transfers between Stages 1 and 2		Transfers between Stages 2 and 3		Transfers between Stages 1 and 3	
	From Stage 1 to Stage 2	From Stage 2 to Stage 1	From Stage 2 to Stage 3	From Stage 3 to Stage 2	From Stage 1 to Stage 3	From Stage 3 to Stage 1
1. Financial assets measured at amortised cost	66,528	45,775	801		1,201	8,012
2. Financial assets measured at fair value through comprehensive income						
3. Financial assets being sold						
4. Commitments to grant funding and financial guarantees given						
TOTAL 31.12.2020	**66,528**	**45,775**	**801**	**-**	**1,201**	**8,012**
TOTAL 31.12.2019	**23,893**	**15,468**	**7**	**-**	**1,200**	**4,215**

Table 5a Loans subject to Covid-19 support measures: transfers between the different stages of credit risk (gross amounts)

Portfolios/stages of risk	Gross amounts					
	Transfers between Stages 1 and 2		Transfers between Stages 2 and 3		Transfers between Stages 1 and 3	
	From Stage 1 to Stage 2	From Stage 2 to Stage 1	From Stage 2 to Stage 3	From Stage 3 to Stage 2	From Stage 1 to Stage 3	From Stage 3 to Stage 1
A. Loans at amortised cost						
A.1 subject to forbearance measures consistent with the GL A.						
A.2 subject to other forbearance measures						
A.3 new loans						
B. Loans measured at fair value through comprehensive income						
B.1 subject to forbearance measures consistent with the GL						
B.2 subject to other forbearance measures						
B.3 new loans						
TOTAL 31.12.2020	-	-	-	-	-	-
TOTAL 31.12.2019	-	-	-	-	-	-

The exposures subject to Covid-19 support measures at 31 December 2020 have mostly been settled and those still outstanding have not required any changes of stage.

6. Credit exposures to customers, banks and financial companies

6.1 Credit and off-balance sheet exposures to banks and financial companies: gross and net amounts

Type of exposures/amounts	Gross exposure		Total adjustments and provisions	Net exposure	Total partial write-offs *
	Non-performing	Performing			
A. ON-BALANCE SHEET CREDIT EXPOSURES					
a) Doubtful exposures					
of which: forborne exposures					
b) Unlikely to pay exposure					
of which: forborne exposures					
c) Past due non-performing exposure					
of which: forborne exposures					
d) Past due performing exposure		2,483	1	2,482	
of which: forborne exposures					
e) Other performing exposures		38,808	17	38,791	
of which: forborne exposures					
TOTAL (A)		**41,291**	**18**	**41,273**	
B. OFF-BALANCE SHEET CREDIT EXPOSURES					
a) Non-performing					
a) Performing					
TOTAL (B)					
TOTAL (A+B)		**41,291**	**18**	**41,273**	

** Amount to be shown for disclosure purposes*

6.2 On-balance sheet exposures to banks and financial companies: trend in gross non-performing exposures

There are no non-performing exposures to banks and financial companies

6.3 On-balance sheet exposures to banks and financial companies: trend in total adjustments

There are no non-performing exposures to banks and financial companies

6.4 Credit and off-balance sheet exposures to customers: gross and net amounts

Type of exposures/amounts	Gross exposure		Total adjustments and provisions	Net exposure	Total partial write-offs *
	Non-performing	Performing			
A. ON-BALANCE SHEET CREDIT EXPOSURES					
a) Doubtful exposures	20,786		15,455	5,331	3,032
of which: forborne exposures	433		431	2	
b) Unlikely to pay exposure	2,875		553	2,322	
of which: forborne exposures					
c) Past due non-performing exposure	785		46	739	
of which: forborne exposures					
d) Past due performing exposure		61,785	67	61,718	
of which: forborne exposures					
e) Other performing exposures		948,537	2,521	946,016	
of which: forborne exposures		7,731	27	7,704	
TOTAL (A)	**24,446**	**1,010,322**	**18,642**	**1,016,126**	**3,032**
B. OFF-BALANCE SHEET CREDIT EXPOSURES					
a) Non-performing	1		1		
a) Performing		27,410	7	27,403	
TOTAL (B)	**1**	**27,410**	**8**	**27,403**	
TOTAL (A+B)	**24,447**	**1,037,732**	**18,650**	**1,043,529**	**3,032**

** Amount to be shown for disclosure purposes*

Table 6.4a Loans object support measures against Covid-19: gross and net amounts

Type loans / amounts	Gross exposure	Total adjustments and provisions	Net exposure	Total partial write-offs *
A. Doubtful loans:				
a) Subject to forbearance measures consistent with the GL				
b) Subject to other forbearance measures				
c) New loans				
B. **Unlikely to pay loans:**				
a) Subject to forbearance measures consistent with the GL				
b) Subject to other forbearance measures				
c) New loans				
C. Non-performing loans expired:				
a) Subject to forbearance measures consistent with the GL				
b) Subject to other forbearance measures				
c) New loans				
D. Other performing loans and receivables expired:				
a) Subject to forbearance measures consistent with the GL				
b) Subject to other forbearance measures				
c) New loans				
E. Other performing loans and receivables :	**977**	**6**	**971**	
a) Subject to forbearance measures consistent with the GL	977	6	971	
b) Subject to other forbearance measures				
c) New loans				
Total (A+B+C+D+E)	**977**	**6**	**971**	

6.5 On-balance sheet exposures to customers: trend in gross non-performing exposures

Captions/Categories	Doubtful	of which: with recourse	*of which: without recourse*	of which: other transactions	Unlikely to pay exposures	of which: with recourse	*of which: without recourse*	of which: other transactions	Past due non-performing exposure	of which: with recourse	*of whi… witho… recour…*
A. Opening gross exposure	**23,613**	***8,655***	***4,924***	***10,034***	**4,600**	***4,476***	***70***	***54***	**896**	***789***	
of which: exposures assigned but not derecognised											
B. Increases	**1,017**	***113***	***841***	***63***	**1,297**	***1,297***			**18,099**	***14,826***	***3***
B.1 transfers from performing exposures					296	*296*			17,568	*14,483*	*3*
B.2 transfers from non-performing financial assets acquired or originated											
B.3 transfers from other categories of non-performing exposures	815	*25*	*763*	*27*	351	*351*					
B.4 contractual changes without derecognitions											
B.5 other increases	202	*88*	*78*	*36*	650	*650*			531	*343*	
C. Decreases	**3,844**	***3,696***	***51***	***97***	**3,023**	***2,949***	***27***	***47***	**18,210**	***15,346***	***2***
C.1 transfers to performing exposures									13,291	*12,457*	
C.2 write-offs	852	*824*	*28*								
C.3 collections	2,992	*2,872*	*23*	*97*	2,985	*2,938*		*47*	3,791	*2,524*	*1*
C.4 recoveries through assignments											
C.5 losses from assignments											
C.6 transfers to other categories of non-performing exposures					38	*11*	*27*		1,128	*365*	
C.7 contractual changes without derecognitions											
C.8 Other decreases											
D. Closing gross exposure	**20,786**	***5,072***	***5,714***	***10,000***	**2,874**	***2,824***	***43***	***7***	**785**	***269***	
of which: exposures assigned but not derecognised											

6.5 bis On-balance sheet exposures to customers: trend in gross forborne exposures by credit quality

Caption/Quality	Non-performing forborne exposures	of which: with recourse	of which: other transactions	Forborne exposures: performing	of which: other transactions
A. Opening gross exposure	**545**	379	166	**-**	
of which: exposures assigned but not derecognised					
B. Increases	-	-	-	**7,731**	7,731
B.1 transfers from performing exposures not subject to forbearance				7,731	7,731
B.2 transfers from performing exposures subject to forbearance					
B.3 transfers from non-performing forborne exposures					
B.4 transfers from non-performing exposures not subject to forbearance					
B.5 other increases					
C. Decreases	**112**	45	67	**-**	-
C.1 transfers to performing exposures not subject to forbearance					
C.2 transfers to performing exposures subject to forbearance					
C.3 transfers to non-performing forborne exposures					
C.4 write-offs					
C.5 collections	112	45	66		
C.6 recoveries through assignments					
C.7 losses on disposal					
C.8 other decreases			1		
D. Closing gross exposure	**433**	334	99	**7,731**	7,731
of which: exposures assigned but not derecognised					

6.6 On-balance sheet exposures to customers: trend in total adjustments

Captions/Categories	Doubtful					Unlikely to pay exposures					Past due non-performing exposures				
	Total	of which: with recourse	of which: without recourse	of which: other transactions	of which: forborne exposures	Total	of which: with recourse	of which: without recourse	of which: other transactions	of which: forborne exposures	Total	of which: with recourse	of which: without recourse	of which: other transactions	of which: forborne exposures
A. Total opening adjustments	**15.965**	***5.985***	***4.838***	***5.142***	***367***	**597**	***543***	***45***	***9***	***3***	**52**	***46***	***6***		***0***
of which: exposures assigned but not derecognised															
B. Increases	**1.570**	***233***	***1.001***	***336***	**64**	**256**	***256***	-	-	-	**46**	***16***	***30***	-	**0**
B.1 adjustments for non-performing financial assets acquired or															
B.2. other adjustments	1.542	*205*	*1.001*	*336*	*64*	256	*256*				46	*16*	*30*		
B.3 losses on disposal															
B.4 transfers from other categories of non-performing exposures	11	*11*													
B.5 contractual changes without derecognitions															
B.6 other increases	17	*17*													
C. Decreases	**2.080**	***1.882***	***192***	***6***	-	**300**	***296***	***2***	***2***	**3**	**52**	***46***	***6***	-	**0**
C.1 writebacks on remeasurement	57	*50*	*1*	*6*		69	*69*				52	*46*	*6*		
C.2 writebacks on collection	1.009	*1.009*				220	*216*	*2*	*2*	*3*					
C.3 gains on disposal															
C.4 write-offs	1.014	*823*	*191*												
C.5 transfers to other categories of non-performing exposures						11	*11*								
C.6 contractual changes without derecognitions															
C.7 other decreases															
D. Total closing adjustments	**15.455**	***4.336***	***5.647***	***5.472***	**431**	**553**	***503***	***43***	***7***	**0**	**46**	***16***	***30***	***0***	***0***
of which: exposures assigned but not derecognised															

7. Classification of financial assets, commitments to grant funding and financial guarantees given on the basis of internal and external ratings

7.1 Classification of financial assets, commitments to grant funding and financial guarantees given by external ratings (gross amounts)

Exposures	Internal rating classes						Unrated	Total
	class 1	class 2	class 3	class 4	class 5	class 6		
A. Financial assets measured at amortised cost	**8,459**	**145,256**	**81,330**	**103,332**	**9,955**	**28**	**726,022**	**1,074,382**
- Stage 1	8,459	145,175	81,330	99,870	2,224	28	645,600	982,686
- Stage 2		81		3,462	7,731		55,977	67,251
- Stage 3							24,445	24,445
B. Financial assets measured at fair value through comprehensive income	-	-	**1,632**	-	-	-	**44**	**1,676**
- Stage 1			1,632				44	1,676
- Stage 2								-
- Stage 3								
C. Financial assets being sold	-	-	-	-	-	-	-	-
- Stage 1								
- Stage 2								
- Stage 3								
Total (A+B+C)	**8,459**	**145,256**	**82,962**	**103,332**	**9,955**	**28**	**726,066**	**1,076,058**
of which: non-performing financial assets acquired or originated								
D. Commitments to grant funding and financial guarantees given	**482**	**7,731**	**666**	**7,121**	**375**	-	**11,036**	**27,411**
- Stage 1	482	7,731	666	7,121	375		10,734	27,109
- Stage 2							301	301
- Stage 3							1	1
Total (D)	482	7,731	666	7,121	375	-	**11,036**	**27,411**
Total (A+B+C+D)	8,941	152,987	83,628	110,453	10,330	28	**737,102**	**1,103,469**

The table lists the reference external rating agencies.

Portfolios	**ECA/ECAI**	**Rating characteristics (*solicited/unsolicited*)**
Exposures to Central Administrations and Banks	Scope Ratings	*Unsolicited*
Exposures to international organisations	Fitch Ratings	*Unsolicited*
Exposures to multilateral development banks	Fitch Ratings	*Unsolicited*
Exposures to companies and other entities	Cerved Group Fitch Ratings (*)	*Unsolicited* *Solicited*
Exposures to UCITS	Fitch Ratings (*)	*Solicited*
Exposures to securitisations with a short-term rating	Fitch Ratings Standard & Poor's	
Exposures to securitisations other than those with a short-term rating	Fitch Ratings Standard & Poor's	

(*) Use of credit risk mitigation (CRM) on financial instruments accepted in guarantee.

The table below shows a reconciliation between the risk classes and the agencies' ratings:

Long-term rating for exposures to businesses:

Creditworthiness class	Risk weighting factor	ECAI Cerved Group
1	20%	A1.1, A1.2, A1.3
2	50%	A2.1, A2.2, A3.1
3	100%	B1.1, B1.2
4	100%	B2.1, B2.2
5	150%	C1.1
6	150%	C1.2, C2.1

Long-term rating for exposures to central administrations:

Creditworthiness class	Risk weighting factor	ECAI Scope Ratings
1	0%	from AAA to AA-
2	20%	from A+ to A-
3	50%	from BBB+ to BBB-
4	100%	from BB+ to BB-
5	100%	from B+ to B-
6	150%	from CCC to D

7.2 Breakdown of financial assets, commitments to grant funding and financial guarantees given by internal ratings (gross amounts).

Although the Company uses the standard method to determine credit risk, the following table analyses the data by internal rating class.

Exposures	Internal rating classes													Total
	1	2	3	4	5	6	7	8	9	10	11	12	13	
A. Financial assets measured at amortised cost	**62,551**	**80,002**	**89,548**	**161,312**	**29,347**	**75,653**	**19,041**	**8,920**	**2,503**	**12,465**	**4,392**	**-**	**-**	**545,734**
- Stage 1	62,551	80,002	89,547	160,645	22,146	71,448	16,731	8,316	1,470	-	-	-	-	512,856
- Stage 2		-	1	667	7,201	4,205	2,310	604	1,033	12,465	4,392	-	-	32,878
- Stage 3														-
B. Financial assets measured at fair value through comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Stage 1			-						-					-
- Stage 2														-
- Stage 3														-
C. Financial assets being sold	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Stage 1														-
- Stage 2														-
- Stage 3														-
Total (A+B+C)	**62,551**	**80,002**	**89,548**	**161,312**	**29,347**	**75,653**	**19,041**	**8,920**	**2,503**	**12,465**	**4,392**	**-**	**-**	**545,734**
of which: non-performing financial assets acquired or originated														-
D. Commitments to grant funding and financial guarantees given	**7,606**	**833**	**4,728**	**1,088**	**51**	**1,326**	**8**	**50**	**11**	**-**	**-**	**-**	**-**	**15,701**
- Stage 1	7,606	833	4,728	1,088	51	1,325	8	50	-	-	-			15,689
- Stage 2						1			11					12
- Stage 3														-
Total (D)	7,606	833	4,728	1,088	51	1,326	8	50	11	-	-	-	-	**15,701**
Total (A+B+C+D)	70,157	80,835	94,276	162,400	29,398	76,979	19,049	8,970	2,514	12,465	4,392	-	-	**561,435**

	With internal ratings	**Without ratings**	**Total**
Cash exposure	545,734	530,323	1,076,057
Off-balance sheet exposu	15,701	11,710	27,411
Total	**561,435**	**542,033**	**1,103,468**

Operational classes (of risk)	**Rating classes**
High	10 - 11 - 12 - 13
Significant	8 -9
Average	5 - 6 - 7
Low	3 - 4
Very low	1 - 2

BPER Factor does not use these ratings in the assessment of credit risk, but rather for the impairment calculation.

9. Credit concentration

Information required under tables 9.1 and 9.2 shown below are based on management figures.

9.1 Distribution of cash and off-balance sheet credit exposure by counterparty's business sector

Business segment of cash exposure	31.12.2020
PUBLIC ADMINISTRATION	1,244
NON-FINANCIAL COMPANIES	751,835
HOUSEHOLDS	99,127
REST OF WORLD	165,687
FINANCIAL COMPANIES	41,292
Total	**1,074,382**

Business segment of off-balance sheet exposures	31.12.2020
PUBLIC ADMINISTRATION	288
NON-FINANCIAL COMPANIES	25,770
HOUSEHOLDS	139
REST OF WORLD	1,009
FINANCIAL COMPANIES	3
Total	**27,411**

Amounts are shown before adjustments.

9.2 Distribution of cash and off-balance sheet credit exposure by counterparty's geographical area

Geographical area of cash exposure (in thousands of Euro)	Amount
North-West	346,314
North-East	328,841
Centre	157,022
South and islands	76,518
Total Italy	**908,695**
Other European countries	136,271
America	8,329
Asia	18,834
Africa	1,404
Oceania	849
Total Rest of the world	**165,687**
Total	**1,074,382**

Geographical area of off-balance sheet exposures (in thousands of Euro)	Amount
North-West	3,573
North-East	20,145
Centre	1,897
South and islands	786
Total Italy	**26,401**
Other European countries	1,000
America	9
Asia	1
Total Rest of the world	**1,010**
Total	**27,411**

Amounts are shown before adjustments.

9.3 Large exposures

	a) Amount (carrying value)	b) Amount (weighted)	c) Number of positions
Large exposures	325,718	215,695	13

MARKET RISKS

3.2.1 INTEREST RATE RISK

QUALITATIVE INFORMATION

1. General aspects

Interest rate risk is defined as the possibility that a change in interest rates could reflect negatively on the overall economic and financial situation of the company.
For ICAAP purposes, exposure to interest rate risk is measured by reference to the assets and liabilities - of units operating in Italy and abroad - included in the portfolio.
In this regard, it should be noted that the Company does not have any outstanding derivatives and the financial exposures for advances to customers are regulated at rates that are index-linked to parameters based on average monthly or quarterly Euribor rates. The Company's funding, on the other hand, is at floating rate based on the same parameters, so as to maintain the alignment of the rates and the spread applied on loans and receivables unchanged over time.
Interest rate risk arising from **outright** acquisition of receivables, over **short periods of time**, is of marginal importance for the Company, this being managed at the time that the purchase price is agreed.
The Company regularly checks the degree of correlation between the rates applied to assets and liabilities.
The rate risk governance model formalised in this Policy is based on the following principles:

- attribution to the Parent Company of the management control and coordination prerogatives with regard to the strategic planning and control, treasury and finance management processes, relating to the commercial and credit governance area for the entire Group in order to ensure consistency with the overall management of interest rate risk and to ensure compliance with regulatory requirements,

- separation between governance and interest rate risk management processes.

Strategic decisions at Group level regarding risk management are entrusted to the corporate bodies of the Parent Company. The choices made take into account the specific operations and associated risk profiles of each company making up the Group in order to implement an integrated and consistent risk governance policy.

Based on the above, the BPER Group has adopted a centralised interest rate risk governance and management model.

BPER Banca, as Parent Company, is responsible for defining the guidelines for the governance, assumption and management of interest rate risk for the entire Group.

Every month, the Parent Company monitors at both consolidated and legal entity level (including BPER Factor) the impact that unexpected changes in market interest rates might have on the positions in the banking book, considering both current profits (sensitivity of net interest income) and the economic value of shareholders’ equity:

- current earnings perspective: the current earnings perspective is aimed at assessing the interest risk on the basis of the sensitivity of the interest margin to changes in interest rates over a defined time horizon. Adverse changes in net interest income potentially affect the financial stability of a bank by weakening its capital adequacy. The change in net interest income depends on the various types of interest rate risk;
- economic value of assets and liabilities perspective: changes in interest rates can impact the economic value of the Parent Company's assets and liabilities. The economic value of a bank is represented by the present value of the expected cash flows, defined as the sum of the present value of the cash flows expected to be generated by its assets, liabilities and derivative positions. Unlike the current earnings perspective, the economic value perspective identifies the risk generated by the repricing or maturity gap over a long-term time horizon.

QUANTITATIVE INFORMATION

1. Distribution by residual maturity (repricing date) of financial assets and liabilities

(Euro)

Captions/residual maturity	On demand	Up to 3 months	3 to 6 months	6 to 12 months	Between 1 and 5 years	Between 5 and 10 years
1. Assets	**643,408**	**247,491**	**91,813**	**30,415**	**24,314**	**382**
1.1 Debt securities		863			768	-
1.2 Loans and receivables	643,408	246,628	91,813	30,415	23,546	382
1.3. Other assets						
2. Liabilities	**822,611**	**19,109**	**46**	**39**	**1,450**	**1,244**
2.1 Payables	822,611	19,109	46	39	1,450	1,244
2.2 Debt securities			-	-	-	-
2.3 Other liabilities	-		-	-	-	-
3. Financial derivatives						
Options						
3.1 Long positions	-	-	-	-	-	-
3.2 Short positions	-	-	-	-	-	-
Other derivatives						
3.3 Long positions	-	-	-	-	-	-
3.4 Short positions	-	-	-	-	-	-

(dollars) ***(Euro/100***

Captions/residual maturity	On demand	Up to 3 months	3 to 6 months	6 to 12 months	Between 1 and 5 years	Between 5 and 10 years	Beyond 10 years	unspecified duration
1. Assets	**18,132**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Debt securities	-	-	-	-	-	-	-	-
1.2 Loans and receivables	18,132		-	-	-	-	-	-
1.3. Other assets	-	-	-	-	-	-	-	-
2. Liabilities	**18,358**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Payables	18,358		-	-	-	-	-	-
2.2 Debt securities	-	-	-	-	-	-	-	-
2.3 Other liabilities		-	-	-	-	-	-	-
3. Financial derivatives								
Options								
3.1 Long positions	-	-	-	-	-	-	-	-
3.2 Short positions	-	-	-	-	-	-	-	-
Other derivatives								
3.3 Long positions	-	-	-	-	-	-	-	-
3.4 Short positions	-	-	-	-	-	-	-	-

(Other currencies)
(Euro/000)

Captions/residual maturity	On demand	Up to 3 months	3 to 6 months	6 to 12 months	Between 1 and 5 years	Between 5 and 10 years	Beyond 10 years	unspecified duration
1. Assets	**1,399**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Debt securities		-	-	-	-	-	-	-
1.2 Loans and receivables	1,399		-	-	-	-	-	-
1.3. Other assets	-	-	-	-	-	-	-	-
2. Liabilities	**1,397**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Payables	1,397		-	-	-	-	-	-
2.2 Debt securities	-	-	-	-	-	-	-	-
2.3 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives								
Options								
3.1 Long positions	-	-	-	-	-	-	-	-
3.2 Short positions	-	-	-	-	-	-	-	-
Other derivatives								
3.3 Long positions	-	-	-	-	-	-	-	-
3.4 Short positions	-	-	-	-	-	-	-	-

3.2.2 PRICE RISK

QUALITATIVE INFORMATION

1. General aspects

For the Company, the only price risk relates to the securities held as “financial assets measured at fair value through comprehensive income”.

QUANTITATIVE INFORMATION

3.2.3 EXCHANGE RISK

QUALITATIVE INFORMATION

1. General aspects

The exchange risk indicates the risk of incurring losses due to fluctuations in exchange rates. Asset and liability transactions with indexing clauses linked to the performance of exchange rates with a particular currency are considered in the same way as exchange rate transactions.

Exposures in **foreign currencies** are managed by funding them in the same currency (at a rate indexed to the average LIBOR for the month), in this case using a parallel parameterisation of lending and borrowing rates.

The Company uses lines of credit with banks at terms that are in line with the market.

The risk associated with carrying out transactions in currencies other than the euro can be considered negligible because there is a limited number of such transactions.

Foreign exchange gains and losses are therefore limited to the differences in exchange rates between the date of billing costs and revenues in foreign currencies and the end of the year.

The net exchange position can be exposed in terms of risk only for marginal amounts and for limited periods of time.

The Company regularly checks the net open position in each currency using simplified techniques to assess the degree of correlation between funds borrowed in foreign currencies and how such funds are invested.

The amounts involved are minimal, close to zero over time, as can also be seen from the financial statements.
As things stand, the Company has no intention of changing its operations in foreign currency, so market risk is unlikely to become significant in the foreseeable future.

QUANTITATIVE INFORMATION

1. Assets, liabilities and derivatives by currency

Captions	Currency					
	US Dollars	Pounds	Yen	Canadian Dollar	Swiss Francs	Other currencies
1. Financial assets	**18,132**	**627**	**-**	**-**	**-**	**772**
1.1 Debt securities						
1.2 Equity instruments						
1.3 Loans and receivables	18,132	627		-	-	772
1.4 Other financial assets						
2. Other assets						
3. Financial liabilities	**18,358**	**626**	**-**	**-**	**-**	**771**
3.1 Payables	18,358	626	-	-	-	771
3.2 Debt securities						
3.3 Other financial liabilities						
4. Other liabilities		1	-	-	-	
5. Derivatives	-	-	-	-	-	-
5.1 Long positions						
5.2 Short positions						
Total assets	**18,132**	**627**	**-**	**-**	**-**	**772**
Total liabilities	**18,358**	**627**	**-**	**-**	**-**	**771**
Net balance (+/-)	**(226)**	**0**	**0**	**0**	**0**	**1**

2. Models and other methods for measuring and managing exchange risk

3. Other quantitative information on exchange risk

3.3 OPERATIONAL RISKS

QUALITATIVE INFORMATION

1. General aspects, management and measurement of operational risk

Operational risk is "the risk of incurring losses due to inadequate or dysfunctional processes, human resources or internal systems, or to exogenous events, including legal risk".

The Company has adopted The Standardised Approach (TSA) to calculating the individual capital requirement for operational risk. The Own Funds requirement is calculated using the standardised approach by determining the three-year average of the sum of the annual Own Funds requirement for the business lines in which the relevant indicator was classified.
On the basis of the principles of organisational separation and independence of functions exercising second and third level control activities, note that there is:

- a first level operational risk control activity;
- a second level operational risk control function centralised in the Risk Management Department, in particular the Operational and Credit Risk Office;
- a function for third level controls that is attributed to the Internal Audit Department, in accordance with the Group's internal control system.

Operational risk management is based on the following principles:

- identification: operational risks are identified, reported and brought to the attention of top management;
- measurement and assessment: the risk is quantified by determining its impact on company processes, also from an economic point of view;
- monitoring: monitoring of operational risk and exposure to significant losses is guaranteed, generating information flows that favour active risk management;
- mitigation: appropriate measures have been taken to mitigate operational risk;
- reporting: a reporting system has been set up to report on operational risk management.

The collection and storage of data relating to loss events is done by means of the Group's Loss Data Collection process.
The process of loss data collection is supported by appropriate IT tools, subject to constant evolution, to ensure data integrity and quality.
The assessment of operational risk exposure, which is carried out by means of risk self-assessment, has the purpose of determining, with an annual time horizon and for significant operating segments:

- the extent of exposure to operational risk;
- an assessment of the adequacy of line processes and controls.

Operational risk management also takes the form of dedicated risk assessment activities in the process of approving new products and services, the launch of new activities, entering new markets, as well as the process of outsourcing business functions.

In 2015, the Group implemented an analytical framework for IT risk, in compliance with Circular 285 of 17 December 2013, with the aim of providing an overview of the current risk situation and the remedy plan needed to avoid exceeding the threshold set for the Group's risk appetite.
The Parent Company prepares a quarterly report on operational losses that occurred during the period to senior management and to the managers of the central organisational units and an annual report that represents the analyses of the prospective assessments of operational risk collected through a risk self-assessment, including indications on planned risk mitigation measures.
Specific reporting has also been required in the IT risk management framework.
The BPER Banca Group's membership of the DIPO consortium[3] allows the Bank to obtain feedback about the operational losses reported by the other Italian banks that are also members. The Parent Company uses these feedback to analyse
positioning with respect to what is reported by the system, to update the map of operational risks and as a possible support for the estimates provided during the risk self-assessment activity.
Operational risk management includes the various steps involved in the process of Business Continuity Management. This process is designed to maintain an appropriate level of attention regarding operational continuity and to avoid the progressive obsolescence of organisational measures (rules, impact assessment, scenarios, emergency measures, operating plans etc.) taken to ensure the continuity of critical business processes.

QUANTITATIVE INFORMATION

Details are provided below of the percentage distribution of the number of events and of the operational losses reported in 2020, broken down into the following risk classes:

- Internal fraud: losses caused by fraud, misappropriation or circumvention of laws, regulations or company guidelines, with the exclusion of episodes of discrimination or the failure to apply equal conditions, whereby at least one of the entity's internal resource is involved;
- External fraud: losses caused by fraud, misappropriation or violation or circumvention of laws by third parties;
- Employment relationships and safety in the workplace: losses arising from acts that do not comply with laws or agreements in respect of employment, health and safety at work, from the payment of compensation for personal injury or episodes of discrimination or the failure to apply equal conditions;
- Customer, products and professional practices: losses arising from unintentional or negligent breaches of professional obligations to specific customers (including reliability and adequacy requirements), or from the nature and characteristics of the product;
- Damages to fixed assets: losses caused by damage to or destruction of fixed assets by natural catastrophes or other events;
- Business interruption and system failure: losses caused by business interruption or system failure;
- Execution, delivery and management of processes: losses caused by deficiencies in transaction processing or in the management of processes, as well as losses arising from transactions with trade counterparties and suppliers.

[3] Database Italiano Perdite Operative (Italian Database of Operational Losses) of which the BPER Banca Group has been a member since 2003. The DIPO observatory is a service provided by the Italian Banking Association designed to support the development of Operational Risk Management and to create a methodology for gathering and exchanging information on operational losses suffered by members.

50% of the number of operational losses falls within the event type "execution, delivery and management of processes" and accounts for 99.7% of the total loss recorded by the Company; the remaining 50% falls within the type "Business interruption and system failures" and account for 0.3% of total losses.

REPUTATIONAL RISKS

QUALITATIVE INFORMATION

1. General aspects, management and measurement of reputational risk

Reputational risk is "the current or prospective risk of a decline in earnings or capital arising from an adverse perception of the Group by customers, employees, counterparties, shareholders, investors or Supervisory Authorities".

The framework for the management of reputational risk is supervised by the Credit and Operational Risks Office within the Risks Department, with support from the organisational units involved (Reputational Risk Owner) in managing the risk and monitoring the corrective actions needed to mitigate any vulnerabilities identified.

The system of reputational risk management adopted by the BPER Banca Group has the following components:

- identification and assessment of risk based on Reputational Data Collection and Reputational Self Assessment;
- monitoring of the Group's exposure to reputational risk using a series of specific Key Risk Indicators;
- management of critical reputational events (escalation): management of particularly critical reputational events, by means of a functional escalation process and the determination of short and long term responses and mitigation;
- reporting: preparation of suitable reports, based on the various processes/sub-processes comprising the framework, in order to present in summary form the outcome of the risk management activities to all bodies and functions concerned.

No internal capital is allocated to cover reputational risk (as it is included in other categories of risk).

LEGAL RISK

In 2020 the Company was served with 4 summons and 1 warning letter.
The warning letter and 2 summons relate to the same counterparty.

In detail:

- Warning:

- regarding Euro 0.1 million and concerning payments made by assigned debtors transferred to the originator under factoring arrangements with "not/notification" assignments (collection mandate granted to the originator by the Company); this warning was not followed by a summons.

❖ Bankruptcy clawback actions:

- in October, bankruptcy administrators served a summons requesting the payment of Euro 6.9 million regarding assignments made by the previously performing originator, in the year prior to the application for a creditors' arrangement and/or as an anomalous payment and, failing that, the lower amount of Euro 1.4 million. The first hearing has been set for March 2021;
- in June, bankruptcy administrators served a summons that also cited 3 originators that had factored without recourse amounts receivable from the now bankrupt debtor, although it was performing at the time of the assignments; the demand for Euro 0.8 million in total is based on the legal invalidity of the payments made by the assigned debtor. At the hearing last November, the lawyers cancelled their claims and requested additional time and the right to submit new written claims;

❖ Other lawsuits as defendant:

- for appeal pursuant to art. 700 Civil Procedures Code: in December, a summons was received, in relation to an appeal pursuant to art. 700 of the Civil Procedures Code, from the lawyer of an assigned debtor requesting the cancellation with retroactive effect of the reports sent in June, July, August and September 2020 to the Central Risks Database maintained by the Bank of Italy, and requesting the payment of an indemnity by the Company for each day of delay in executing the court ruling pursuant to art. 614 bis of the Civil Procedures Code. The cancellation was confirmed at the hearing on 11/12/2020 and the Magistrate deferred the case to 2021, so that the appellant can check that the Central Risks Database has accepted the corrections;
- summons receive in January 2020 from an assigned debtor that also cited the originator, claiming defects in the goods supplied due to serious delays in their delivery. The amount claimed from the seller for damages is Euro 0.3 million. BPER Factor being the factor of the receivables was cited solely in order to obtain confirmation that nothing is due from the assigned debtor. Following the hearing on 30/9/2020, the Magistrate merely referred the case back to the President of the Court, citing an inability to judge cases of this type. The new Magistrate appointed at the hearing held in November rejected our application pursuant to art. 186, set deadlines for the receipt of written claims and deferred the case until 23 November 2021.

With regard to the cases outstanding at 31/12/2019 and aside from the various deferrals of rulings, the only case to make progress related to the ruling that opposed the injunction served by an originator for the return of amounts allegedly collected by ABF Factoring, which was absorbed by Emilia Romagna Factor in 2010, as payment by one of its debtors. In April 2020 the first-level ruling by the Milan Court accepted the request made by the originator and sentenced BPER Factor to repay amounts totalling Euro 0.3 million plus interest. The Company has filed an appeal with the Milan Appeal Court.

LIQUIDITY RISK

QUALITATIVE INFORMATION

1. **General aspects, management and measurement of liquidity risk**

Liquidity risk relates to the probability of mismatches between cash inflows and outflows that could jeopardise the Company's profitability or reputation. Liquidity risk typically crystallises in the form of failure to meet payment obligations; it may take various forms, depending on the circumstances in which the risk arises. With reference to the definitions adopted at international level, a distinction is made between funding liquidity risk and market liquidity risk. Funding liquidity risk is the risk that the Company will not be able to make, in an efficient manner, expected and unexpected cash payments, both current and future, nor will it be able to meet collateral obligations, without an adverse effect on current operations or its financial position. Market liquidity risk, on the other hand, is the risk that a Company is not able to sell a financial asset without incurring a capital loss due to poor liquidity or disorder in the reference market.

BPER Factor. is one of the companies for which liquidity risk is managed centrally by the Parent Company BPER. The Group governance model is based on centralised cash management. The Parent Company is responsible for managing Group liquidity and the risk associated with it, for both short-term and medium/long-term liquidity. In particular, the Parent Company BPER:

- is responsible for liquidity policy,
- manages both short-term and medium/long-term liquidity,
- determines and manages the funding plan,
- monitors liquidity risk.

As an exception to the general principles of the Group, for its short-term funding activities BPER Factor S.p.A. is allowed to borrow directly from the market, subject to formal approval by the Group Treasury Department for each specific transaction. As for how any surplus liquidity should be used, the Company always has to refer to BPER.

The Group's liquidity management model responds to the need for efficient handling of liquidity risk:

- by optimising access to liquidity markets in terms of:
    - volumes;

      costs, taking advantage of the Group's creditworthiness to minimise borrowing costs;
- by centralising "rating sensitive" funding operations, as well as interventions in the money market;
- creating a principle of functional specialisation through skill centres for secured funding operations (issues of secured instruments, borrowing from particular categories of institutional investors, etc.).

In particular, the "policy" issued by the Parent Company makes reference to the question of market liquidity risk in the management of counterbalancing capacity and refers to liquidity risk in the sense of funding risk, i.e. how difficult (or impossible) it is to raise funds to meet payment obligations. In this context, a distinction is made between:

- Market liquidity risk: the risk that a Bank is not able to sell a financial asset without incurring a capital loss due to poor liquidity or disorder in the reference market;
- Mismatch liquidity risk: the liquidity risk implicit in the structure of the Parent bank’s assets and liabilities due to the transformation of maturities typical of financial intermediaries, when the

profile of cash outflows is not perfectly matched by the profile of cash inflows (with reference to contractual maturities and routine behaviour). The mismatch liquidity risk (hereinafter also referred to as funding risk) affects the liquidity position of the Group in the "over one year" time horizon, in order to identify possible current and future pressures on the sources of short-term liquidity.

- Funding liquidity risk: the risk that the Company will not be able to make, in an efficient manner, expected and unexpected cash payments, both current and future, nor will it be able to meet collateral obligations, without an adverse effect on current operations or its financial position.
- Contingency liquidity risk: the risk that future events may require access to significantly more liquidity than previously planned by the bank; in other words, this is the risk of not being able to settle sudden and unexpected payment commitments in the short or very short term. These unexpected commitments might, for example, originate from unexpected changes in the timing of cash flows considered certain, perhaps following the deferred settlement of significant loans, not envisaged in the related contracts, or the substantial withdrawal of retail deposits etc.

QUANTITATIVE INFORMATION

1. **Distribution of financial assets and liabilities by residual maturity**

The following tables shows the distribution of financial assets and liabilities by residual maturity, broken down by currency as required by law, using only accounting information.

1. Distribution of financial assets and liabilities by residual maturity: Currency: EURO

Captions/Time period	on demand	1 to 7 days	7 to 15 days	15 days to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	between 1 and 3 years	between 3 and 5 years	beyond 5 years	unspecified duration
Cash assets											
A.1 Government securities								750	850		
A.2 Other debt securities											
A.3 Loans	172,862	14,758	76,271	118,530	414,827	139,829	66,256	29,998	4,666	843	-
A.4 Other assets											
Cash liabilities											
B.1 Due to:											
- Banks	810,449	3,511	3,075	6,863	5,569						
- Financial companies	87										
- Customers	10,459	57	25	143	393	1,108	39	364	1,086	1,243	
B.2 Debt securities											
B.3 Other liabilities											
Off-balance sheet transactions											
C.1 Financial derivatives with exchange of capital											
- Long positions											
- Short positions											
C.2 Financial derivatives without exchange of capital											
- Positive differentials											
- Negative differentials											
C.3 Loans to be received											
- 5.1 Long positions											
- 5.2 Short positions											
C.4 Irrevocable commitments to issue loans											
- 5.1 Long positions	1,151			291	2,074	2,645	5,728	14,444	35		
- 5.2 Short positions											
C.5 Financial guarantees given											
C.6 Financial guarantees received											

Currency: US Dollars

Captions/Time period	on demand	1 to 7 days	7 to 15 days	15 days to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	between 1 and 3 years	between 3 and 5 years	beyond 5 years	unspecified duration
Cash assets											
A.1 Government securities											
A.2 Other debt securities											
A.3 Loans	291	315	103	3,174	12,313	1,965	-	-	-	-	-
A.4 Other assets											
Cash liabilities											
B.1 Due to:											
- Banks	18,362										
- Financial companies											
- Customers											
B.2 Debt securities											
B.3 Other liabilities											
Off-balance sheet transactions											
C.1 Financial derivatives with exchange of capital											
- Long positions											
- Short positions											
C.2 Financial derivatives without exchange of capital											
- Positive differentials											
- Negative differentials											
C.3 Loans to be received											
- 5.1 Long positions											
- 5.2 Short positions											
C.4 Irrevocable commitments to issue loans											
- 5.1 Long positions				90	3	60	255	599			
- 5.2 Short positions											
C.5 Financial guarantees given											
C.6 Financial guarantees received											

Currency: Other currencies

Captions/Time period	on demand	1 to 7 days	7 to 15 days	15 days to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	between 1 and 3 years	between 3 and 5 years	beyond 5 years	unspecified duration
Cash assets											
A.1 Government securities											
A.2 Other debt securities											
A.3 Loans	8	-	-	16	912	466	-	-	-	-	-
A.4 Other assets											
Cash liabilities											
B.1 Due to:											
- Banks	5.81			2							
- Financial companies											
- Customers											
B.2 Debt securities											
B.3 Other liabilities											
Off-balance sheet transactions											
C.1 Financial derivatives with exchange of capital											
- Long positions											
- Short positions											
C.2 Financial derivatives without exchange of capital											
- Positive differentials											
- Negative differentials											
C.3 Loans to be received											
- 5.1 Long positions											
- 5.2 Short positions											
C.4 Irrevocable commitments to issue loans											
- 5.1 Long positions	35	-	-	-	-	-	-	-	-	-	-
- 5.2 Short positions											
C.5 Financial guarantees given											
C.6 Financial guarantees received											

SECTION 4 – INFORMATION ON SHAREHOLDERS' EQUITY

4.1 Equity

4.1.1 Qualitative information

The net profit for the current year comes to Euro 4,731 thousand, bringing shareholders' equity to Euro 137,699 thousand.

In keeping with the supervisory regulations, the corporate bodies have evaluated the Company's capital adequacy based on the principle of proportionality, i.e. in line with the Company's specific operational and risk profile. The extent to which the Company's capital is compatible with its objectives of growth in lending is also checked periodically by the pertinent corporate bodies.

The results of the adequacy check are summarised in the annual "ICAAP Report" prepared in the format specified in the current "Supervisory Instructions for financial intermediaries" (Circular 288 of 3 April 2015 and subsequent updates – Title IV – Chapter 14) and approved each year by the Board of Directors.

4.1.2 Quantitative information

4.1.2.1 Equity: breakdown

Description/Amounts	31.12.2020	31.12.2019
1. Share capital	**54,591**	**54,591**
2. Share premium reserve	**20,814**	**20,814**
3. Reserves	**57,682**	**52,472**
- income reserves		
a) legal reserve	3,582	3,322
b) statutory reserve		
c) reserve for treasury shares		
d) other	47,225	44,973
- other	6,875	4,177
4. (Treasury shares)		
5. Valuation reserves	**(120)**	**(135)**
- Equity securities designated at fair value through comprehensive income	19	16
- Hedging of equity securities designated at fair value through comprehensive income		
- Financial assets (other than equity instruments) measured at fair value through comprehensive income	17	12
- Property, plant and equipment		
- Intangible assets		
- Foreign investment hedges		
- Cash flow hedges		
- Hedging instruments (non-designated items)		
- Exchange differences		
- Non-current assets and disposal groups held for sale		
- Financial liabilities designated at fair value through profit or loss (changes in creditworthiness)		
- Special revaluation laws		
- Actuarial gains (losses) on defined-benefit plans	(156)	(163)
- Portion of measurement reserve of equity investments carried at equity		
6. Equity instruments		
7. Net profit (loss)	**4,731**	**5,209**
Total	**137,698**	**132,951**

4.1.2.2 Valuation reserves for financial assets measured at fair value through comprehensive income: breakdown

Assets/Amounts	Total 31.12.2020		Total 31.12.2019	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1 Debt securities	17		10	
2. Equity instruments	19		16	
3. UCITS units				
4. Loans				
Total	36	-	26	-

4.1.2.3 Valuation reserves for financial assets measured at fair value through comprehensive income: changes during the year

	Debt securities	Equity instruments	Loans
1. Opening balance	10	16	-
2. Increases	**9**	**5**	-
2.1 Fair value increases	9	5	
2.2 Impairment adjustments for credit risk			
2.3 Release to the income statement of negative reserves: from disposals			
2.4 Transfer to other components of equity (equity instruments)			
2.5 Other changes			
3. Decreases	**3**	**1**	-
3.1 Fair value decreases			
3.2 Impairment adjustments for credit risk			
3.3 Release to the income statement of negative reserves: from disposals			
3.4 Transfer to other components of equity (equity instruments)			
3.5 Other changes	3	1	0
4. Closing balance	**16**	**20**	**0**

4.2 Own funds and capital adequacy ratios

The disclosures on Own Funds and on capital adequacy of the BPER Group are provided in the document "Disclosure to the public - Pillar 3 at 31 December 2020" prepared on the basis of the regulatory provisions established by Circular no. 285 of 17 December 2013 and subsequent updates, issued by the Bank of Italy, and by EU Regulation no. 575/2013 of the European Parliament and Council, of 26 June 2013 (CRR) and the Guidelines issued by the EBA on 23 December 2014, which came into force on 1 January 2015. The document is published together with the consolidated financial statements of the BPER Group on the Parent Company's website http://istituzionale.bper.it.

4.2.1.2 Quantitative information

		31.12.2020	31.12.2019
A.	**Core capital (Tier 1 capital before the application of prudential filters**	**132,965**	**127,739**
B.	Prudential filters of Tier 1 capital:		
B.1	Positive IFRS prudential filters (+)		
B.2	Negative IFRS prudential filters (-)		
C.	**Tier 1 capital gross of items to be deducted (A+B)**	**132,965**	**127,739**
D.	Items to be deducted from Tier 1 capital	**(5,539)**	**(5,867)**
E.	**Total Tier 1 capital (C-D)**	**127,426**	**121,872**
F.	**Supplementary capital (Tier 2 capital before the application of prudential filters**		
G.	Prudential filters for Tier 2 capital:		
G.1	Positive IFRS prudential filters (+)		
G.2	Negative IFRS prudential filters (-)		
H.	**Tier 2 capital gross of items to be deducted (F+G)**		
I.	Items to be deducted from Tier 2 capital		
L.	**Total Tier 2 capital (H-I)**		
M.	Items to be deducted from Tier 1 and Tier 2 capital		
N.	**Capital for regulatory purposes (E+L+M)**	**127,426**	**121,872**

4.2.2 Capital adequacy

4.2.2.1 Qualitative information

Particular importance is given to checking compliance with the capital adequacy requirements, both at CET1 level and in total. The responsible functions at the Parent Company perform this task on an ongoing basis, with the various departments involved (Group Finance and Capital Management, Group Risk Management and Group Financial Reporting) issuing regular reports as part of the broader process of verifying consolidated capital adequacy. The guidelines for this activity are stated in BPER Group's annual report on the verification of capital adequacy (ICAAP). This report identifies the functions, methodology and approach for measuring and assessing accepted risk on an ongoing basis, with a view to guiding operations and quantifying the capital required by the Company to cover the various risks accepted.

4.2.2.2 Quantitative information

Description/Amounts	Unweighted amounts		Weighted amounts/Requirements	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
A. RISK ASSETS				
A.1 Credit and counterparty risk	1,067,839	1,095,420	971,728	916,421
B. CAPITAL ADEQUACY REQUIREMENTS				
B.1 Credit and counterparty risk			58,304	54,985
B.2 Requirements for the provision of payment services				
B.3 Requirement for the issue of electronic money				
B.4 Specific prudential requirements			2,614	2,706
B.5 Total capital requirements			60,918	57,691
C. RISK ASSETS AND CAPITAL RATIOS				
C.1 Risk-weighted assets			1,015,288	961,528
C.2 Tier 1 capital/Risk-weighted assets (Tier 1 capital ratio)			0.1255	0.1267
C.3 Capital for supervisory purposes including Tier 3/Risk-weighted assets (Total capital ratio)			0.1255	0.1267

SECTION 5 – ANALYTICAL STATEMENT OF COMPREHENSIVE INCOME

Captions		Total 31.12.2020	Total 31.12.2019
10.	**Net profit (loss)**	**4,731**	**5,209**
	Other elements of income without release to the income statement		
20.	Equity securities designated at fair value through comprehensive income:	**4**	**4**
	a) changes in fair value		4
70.	Defined benefit plans	**9**	**(30)**
100.	Income taxes relating to other income components without release to the income statement	**(3)**	**7**
	Other elements of income with release to income statement		
150.	Financial assets (other than equity instruments) measured at fair value through comprehensive income:	**10**	**78**
	a) changes in fair value	10	78
	b) release to the income statement		
	- gains (losses) on disposals		
180.	Income taxes related to other income components with reversal to the income	**(3)**	**(21)**
190.	**Total other elements of income**	**17**	**38**
200.	**Total comprehensive income (Captions 10+190)**	**4,748**	**5,247**

SECTION 6 – RELATED-PARTY TRANSACTIONS

6.1 Information on the remuneration of Managers with strategic responsibilities (directors, auditors and managers)

The Board of Directors is remunerated on the basis of the fees approved by the Shareholders' Meeting; the total amount accrued at 31 December 2020 was Euro 197,949 thousand. The fees payable to the Board of Statutory Auditors in the period amount to Euro 66,722.

6.2 Loans and guarantees granted to Directors and Statutory Auditors

At 31 December 2020 there are no loans nor guarantees issued in favour of Directors and Statutory Auditors.

6.3 Related party disclosures

Balances with Group companies at 31 December 2020.

ASSETS (in thousands of Euro)

Company	Financial assets measured at amortised cost	Other assets
BPER Banca S.p.A.	7,270	257
Sardaleasing		5
SIFA' - Company italiana flotte aziendali	448	
Total	**7,718**	**262**

LIABILITIES (in thousands of Euro)

Company	Financial liabilities measured at amortised cost	Other trade payables
BPER Banca S.p.A.	829,087	281
SIFA' - Company italiana flotte aziendali	143	
Total	**829,230**	**281**

INCOME STATEMENT (in thousands of Euro)

Company	Commission expense	Interest expense	Other administrative income (expense)
Banco di Sardegna	(1)		
BPER Banca S.p.A.	(893)	(472)	(1,100)
Sardaleasing			48
SIFA' - Company italiana flotte aziendali			(19)
Total	**(894)**	**(472)**	**(1,071)**

SECTION 7 – LEASES (LESSEE)

Qualitative information

In the lease contracts where it acts as lessee, BPER Factor records an asset that represents the right of use (RoU) of the asset involved in the lease contract and, at the same time, a payable for the future lease instalments provided for in the contract (lease liability).

As part of the application choices allowed by IFRS 16, in accordance with the BPER Banca Group, the Company decided not to record rights of use or lease liabilities for the following types of lease contracts:

- leases of intangible assets;
- short-term leases, for less than 12 months;
- leases of low-value assets (as explained in the notes: Part A – Accounting Policies, an asset is considered of low value if its fair value when new is equal to or less than 5 thousand euro).

The lease payments for these types of assets are therefore recorded under item "160. Administrative costs - b) other" on an accrual basis; for further information, see the notes: Part C - Income statement, table 10.3 Other administrative costs: breakdown.

Quantitative information

Rights of use acquired with leases: please refer to the notes: Part B - Assets, table 8.1 Property, plant and equipment used in operations: breakdown of assets carried at cost

Lease liabilities: please refer to the notes: Part B - Liabilities, table 1.1 Financial liabilities measured at amortised cost: breakdown by product of payables, table 2 Lease liabilities.

Interest expense on lease payables: please refer to the notes: Part C – Income statement, table 1.3 Interest and similar expense: breakdown- of which: interest expense relating to lease payables.

Other charges associated with the rights of use acquired with the lease: please refer to the notes: Part C – Income statement, table 12.1 Net adjustments to property, plant and equipment: breakdown.

Income from sub-leases: please refer to the notes: Part C – Income statement, table 1.1 Interest and similar income: breakdown.

7.1 Rights of use acquired with leases: dynamics of the right of use of property, plant and equipment used in operations.

Assets used in operations	Right of use assets acquired with leases 01.01.2020	Depreciation for the year	Other changes during the year	Impairment losses for the year	Carrying amount at 31.12.2020
a) land					
b) buildings	4,028	-370	1,118	0	2,54
c) furniture					
d) electronic equipment					
e) other	183	-87	125	0	221
TOTAL	**4,211**	**-458**	**-993**	**0**	**2,761**

As regards the Other changes for the year, the impact is mainly linked to remeasurement of the Right of Use due to renegotiation of the lease payments and change in the lease term, to the opening and closing of contracts.

7.2 Costs and Revenues relating to lease transactions not included in the right of use.

Description	Total at 31.12.2020	Total at 31.12.2019
Short-term lease costs	1	18
Costs for lease of low-value assets (*)	16	8
Profits relating to financial sub-leases		
TOTAL 31.12.2020	**17**	**27**

(*) Including VAT

7.3 Lease liabilities: trend.

Debt broken down by type of investment	Lease liabilities at 1.1.2020	Interest of the year	Payments for the year	Other change during the year	Carrying amount at 31.12.2020
a) land					-
b) buildings	4.035	24	-395	-1.118	2.546
c) furniture					-
d) electronic equipment					-
e) other	182	1	-85	124	221
TOTAL 31.12.2020	**4.217**	**25**	**-481**	**-994**	**2.767**

The other changes during the year mainly relate to the difference in rental charges, due to moving the Milan branch.

SECTION 8 – OTHER INFORMATION

PARENT COMPANY THAT PREPARES CONSOLIDATED FINANCIAL STATEMENTS

BPER Banca S.p.A.
Head office: via S. Carlo 8/20
Modena

MANAGEMENT CONTROL AND COORDINATION ACTIVITIES

BPER Factor S.p.A. is subject to the management and coordination activities of BPER Banca S.p.A., of which the key figures taken from the latest approved financial statements at 31.12.2019 are shown below, pursuant to art. 2497-bis of the Italian Civil Code.

For an adequate and complete understanding of the financial position and results of operations at 31 December 2019, please refer to the financial statements which, together with the report of the independent auditors, is available in the form and manner prescribed by law.

(in thousands of Euro)

Asset captions	**31.12.2019**
6. Financial assets	63,276,005
- designated at fair value through profit or loss	*939,799*
- measured at fair value through comprehensive income	*6,202,401*
- measured at amortised cost	*56,133,805*
Property, plant and equipment and intangible assets	*3,378,761*
Tax assets and other asset captions	2,692,982
Total assets	**69,347,748**

Liabilities and shareholders' equity	**31.12.2019**
Financial liabilities	61,785,135
- measured at amortised cost	*61,608,916*
- held for trading	*176,219*
Other liabilities and provisions	2,565,832
Shareholders' equity	4,996,781
Total liabilities	**69,347,748**

Income statement captions	**31.12.2019**
Net interest income	**786,682**
Net commission income	689,601
Profits (losses) on financial transactions	116,960
Net interest and commission income	**1,593,243**
Net impairment adjustments for credit risk and contractual changes	(289,985)
Net profit from financial activities	**1,303,258**
Operating costs	(1,217,503)
Net adjustments to continuing operations	304,482
Profit from continuing operations before income taxes	**390,237**
Income taxes for the year	(4,802)
Net profit	**385,435**

Bologna, 09 March 2021

The Board of Directors
The Chairman
Paolo Licciardello

REPORT OF THE BOARD OF STATUTORY AUDITORS

REPORT OF THE BOARD OF STATUTORY AUDITORS

TO THE SHAREHOLDERS' MEETING PURSUANT TO ART. 2429, PARAGRAPH 2, OF THE ITALIAN CIVIL CODE

To the Shareholders of EMILIA ROMAGNA FACTOR S.P.A.

During the year ended 31.12.2020 our work was based on the provisions of law and the rules of conduct of Statutory Auditors issued by the Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili (representing the Italian Accountancy Profession).

Supervisory activities

We have monitored compliance with the law, the articles of association and the principles of good management.

We attended shareholders' meetings and meetings of the Board of Directors and, based on available information, we are not aware of any violations of the law and the articles of association, nor of any transactions that are manifestly imprudent, risky, in potential conflict of interest or such as to compromise the integrity of the Company's assets.

During these meetings, we acquired from the chief executive officer and the general manager information on the general trend in operations and the business outlook, as well as on the more significant transactions, in terms of size or characteristics, carried out by the Company. Based on this information, we have no particular observations to make.

We met with the person in charge of the audit and no significant data or information arose that would need to be included in this report.

We acquired information from the person in charge of the internal control system and no significant data or information arose that would need to be included in this report.

We obtained information from the Supervisory Board and did not find any critical issues regarding correct implementation of the organisational model which would have to be mentioned in this report.

We examined and monitored, within the scope of our responsibilities, the adequacy and functioning of the Company's organisation, also by gathering information from the heads of department; in this regard we have no particular observations to make.

We examined and monitored, within the scope of our responsibilities, the adequacy and functioning of the administrative and accounting system and its reliability in correctly representing operational events, by obtaining information from the heads of department, the person in charge of the audit and examination of business documents and in this regard we have no particular observations to make.

We did not receive any complaints based on art. 2408 of the Italian Civil Code.

The following opinions were issued during the year:

- Group Directive no. 43/2020 "Regulation of the Internal Audit Department – Update"
- 2019 Report on the activities carried out by the Internal Audit function and 2020 Audit Plan
- Report on Significant Outsourced Operational Functions

- Report on the activities carried out by the Internal Audit function in 1st half 2020 and adjustment of the Audit Plan.

During the course of our supervisory activity, as described above, no other significant matters came to light that would require mention in this report.

Financial statements

We examined the draft financial statements at 31.12.2020*,* which were made available to us within the terms of art. 2429 of the Italian Civil Code, on which we report as follows.

As it is not up to us to audit the financial statements, we monitored the general approach taken in preparing them, above all their compliance with the law as regards format and structure, and there are no particular matters to report in this regard.

We checked compliance with the legal regulations concerning the preparation of the report on operations and in this regard we have no particular observations to make.

As far as we are aware, the Directors have not made any exceptions to the rules when preparing the financial statements as would be permitted under certain circumstances by art. 2423.4 of the Italian Civil Code.

Conclusions

Considering the results of the activity performed by the person in charge of the audit as contained in the auditor's report which was made available to us on 26 March 2021, we propose that the Shareholders' Meeting should approve the financial statements for the year ended 31/12/2020, as prepared by the Directors.

Bologna, 26 March 2021

The Board of Statutory Auditors

The Chairman Pier Paolo Ferrari

INDEPENDENT AUDITORS' REPORT

Deloitte.

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**INDEPENDENT AUDITORS' REPORT
PURSUANT TO ARTICLES 14 AND 19-BIS OF LEGISLATIVE DECREE
No. 39 OF JANUARY 27, 2010**

**To the Shareholders of
Emilia Romagna Factor S.p.A.**

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Emilia Romagna Factor S.p.A. (the Company), which comprise the balance sheet as at December 31, 2020, the income statement, the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the year then ended and the related explanatory notes.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at December 31, 2020 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 43 of Italian Legislative Decree no. 136/15.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Directors and the Board of Statutory Auditors for the Financial Statements

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 43 of Italian Legislative Decree no. 136/15 and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Deloitte.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Company or for the termination of the operations or have no realistic alternative to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion pursuant to art. 14, paragraph 2 (e), of Legislative Decree 39/10

The Directors of Emilia Romagna Factor S.p.A. are responsible for the preparation of the report on operations of Emilia Romagna Factor S.p.A. as at December 31, 2020, including its consistency with the related financial statements and its compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations with the financial statements of Emilia Romagna Factor S.p.A. as at December 31, 2020 and on its compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the above-mentioned report on operations is consistent with the financial statements of Emilia Romagna Factor S.p.A. as at December 31, 2020 and is prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the entity and of the related context acquired during the audit, we have nothing to report.

DELOITTE & TOUCHE S.p.A.

Signed by
Marco Benini
Partner

Bologna, Italy
March 26, 2021